SCHOOL OF GRADUATE STUDIES

DETERMINANTS OF INTEREST FREE BANKING ACCEPTANCE IN ETHIOPIA

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DECEMBER, 2020

ADDIS ABABA, ETHIOPIA

DETERMINANTS OF INTEREST FREE BANKING ACCEPTANCE IN ETHIOPIA

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE MASTTER OF ART DEGREE IN ACCOUNTING AND FINANCE

DECEMBER, 2020

ADDIS ABABA, ETHIOPIA

DECLARATION

I, Tesfaye Assen Tessma, declare that this study entitled: Determinants of Interest Free Banking Acceptance in Ethiopia with specific reference to commercial bank of Ethiopia, Dashen Bank Sc. and Abay Bank Sc.is my original work is the result of my own effort and study. I also declare that all sources of materials used for the study have been duly acknowledged. This study has not been submitted for award of any Degree or Diploma Program in this or any other Institution.

Declared by: Tesfaye Assen Tessma

Signature

Date December, 2020

STATEMENT OF CERTIFICATION

This is to certify that the thesis prepared by Tesfaye Assen, entitled: Determinants of Interest Free Banking Acceptance in Ethiopia and submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration in Accounting and Finance complies withthe regulations of the university and meets the accepted standards with respect to originality and quality.

Approved by the Board of Examiners

Mohammed Seid . **December, 2020**

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Advisor Signature Date

Acknowledgments

"All praise and thanks be to Allah", the Lord of existence, the most Gracious, and Merciful" I also would like to express my deepest gratitude to my parents, as always they were there, right beside me in my sorrow and joy, and may Allah reward them Genetel Firdous with his highest blessings. Secondly, a heartfelt thankfulness and appreciation goes to my advisor, Abebaw Kassie (PhD), for his genuine approach and valuable guidance for aided me to complete this research paper.

I would like also to extend my special gratitude to Ato Seid Yimam, Jemal Seid and Fuad Mustefa as well as Bedru Hussien for their time and invaluable support.

Obviously, this paper has been made possible through support and cooperation of various persons for whom I wish to express my appreciations and gratitude.

Finally, I wish to acknowledge the efforts and support of commercial banks of Ethiopia, Dashen Bank Sc. and Abay Bank Scs' Customers that led to the success of this study.

Abstract

The basic objective of the study is to identify potential determinant factors affecting customers to accept Interest Free Banking in Ethiopia by considering 5 independents variables; perceived relative advantage, perceived Compatibility, perceived complexity, Trust and Attitude towards use of Islamic Branding. The study was performed in Quantitative Descriptive Analysis (QDA) methodology. To reveal the determinant factors, explanatory (Causal) research design was used. For selecting sample respondents Multistage sampling technique was used. The sample size was 380. Moreover, structured questionnaires are tools used to gather relevant information and both descriptive and inferential analysis method were applied. The data analysis was processed by IBM SPSS 20. All determinant factors have a positive correlation with the predicted variable. A linear combination of all the independent variables considered under the study predicts the variance in the dependent variable Acceptance. The ANOVA test result showed that, the value of R and R^2 *obtained under the model summary part was statistically significant. The multiple linear regression analysis revealed perceived relative advantage, perceived complexity and trust have a significant positive impact on acceptance of interest free banking Ethiopia. However, perceived compatibility does not have any significant influence on acceptance of interest free banking in Ethiopia and attitude towards using Islamic branding has a negative influence. The study also extends the Decomposed Innovation Diffusion Theory a different setting and also to a different area of study.*

Keywords: *Commercial bank of Ethiopia, Dashen Bank Sc, Abay Bank Sc, Decomposed Innovation Diffusion Theory free banking, Perceived Relative Advantage, Trust, Islamic Branding*

Table of Contents

Acknowledgments i

Abstract ii

List of Tables v

List of Figures vi

List of Acronyms vii

CHAPTER ONE: INTRODUCTION 1

1.1. Background of the Study 1

1.2. Statement of the Problem 5

1.3. Objective of the Study 6

1.3.1. General Objective 6

1.3.2. Specific objective 6

1.4. Research Hypotheses 6

1.5. Significance of the Study 7

1.6. Scope and Limitation of the Study 8

1.6.1. Scope of the Study 8

1.6.2. Limitation of the Study 8

1.7. Organization of the Study 8

CHAPTER TWO: REVIEW OF RELATED LITERATURE 10

Literature on Islamic Banking 10

2.1. Concept of Islamic Banking 10

2.2. Evolution of Islamic Banking 14

2.2.1. Interest Free Banking as an Idea 15

2.2.2. Interest Free Banking as Practice 15

2.3. Sources of Islamic Legislation 16

2.4. Fundamental Principles of Interest Free Banking 18

2.4.1. The prohibition of Riba 19

2.4.2. The prohibition of Al-Gharar 21
2.4.3. The prohibition of Al-Maysir 22
2.4.4. The Prohibition of Unethical Investments 23
2.4.5. Profit and Loss Sharing 23
2.4.6. Asset-backed banking Transactions 24
2.5. Acceptance on the Islamic Banking 24
2.6. Theoretical Framework of the study 26
2.6.1. Innovation Diffusion Theory (IDT) 26
2.6.2. Conceptual Framework of the Study 27
2.6.3. Perceived Relative Advantage 28
2.6.4. Perceived Complexity 29
2.6.5. Perceived Compatibility 31
2.6.6. Trust 31
2.6.7 Attitude towards Islamic Branding 34
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY 36
3. Role of Research Methodology in Research 36
3.1. The Research Design 36
3.2. Methods Adopted 37
3.3. Source of Data 39
3.4. Sample Size and Sampling Techniques 39
3.4.1. Sampling Technique 39
3.4.2. Sample Size Calculations 42
3.5. Data Collection Methods 44
3.6 Data Presentation and Analysis 44
3.7. Regression Model 45
3.8. Validity and Reliability Test 46

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS.....47

4. Descriptive Analysis.....47

4.1. Sample and Response Rate.....47

4.2. Respondents' Demographic Characteristics.....47

4.3. Descriptive Analysis Acceptance.....50

4.3.1. Acceptance of the Operation of Interest Free Banking Window Service.....50

4.3.2. IFB window Service's Economic Benefit with Respect to Conventional Banks.....50

4.3.3. IFB window Service's Perceived Compatibility with Sharia-guidance.....51

4.3.4. IFB Window service's Perceived Complexity.....51

4.3.5. IFB window Service's Trust.....52

4.3.6. IFB Window Service's use of Islamic Branding that Promote Islamic Values and Morals.....53

4.3.7. IFB window service's Acceptance against Affiliation years, Name of Bank Associated with and Account Type They are using.....54

4.3.8. Selected Demographic Variables and Acceptance of IFB Window Service.....56

4.4. Inferential Analyses.....57

4.4.1 Multiple Linear Regression Analysis.....57

4.4.2. Diagnostic checking.....57

4.4.3. Normality Test.....57

4.4.4. Multicollinearity checking.....58

4.4.5. Autocorrelation Test.....59

4.5. Hypothesis Testing.....59

4.5.1. Overall F-test.....59

4.5.2. T-test Hypothesis 1.....60

4.5.3. T-test Hypothesis 2.....60

4.5.4. T-test Hypothesis 3.....61

4.5.5. T-test Hypothesis 4.....61

4.5.6. T-test Hypothesis 5 62
4.5.7. Coefficient of Determination (R^2) 62
4.5.8. Adjusted Coefficient of Determination (Adjusted R^2) 63
4.6. Multiple Linear Regression Model 64
CHAPTER FIVE: CONCLUSIONS AND IMPLICATIONS OF RESULTS 70
5.1. Summary of Major Findings 70
5.2. Implications of the Study 73
5.2.1. Managerial Implication of the Study 73
5.2.2. Theoretical Implications 74
5.3. Suggestion for Future Study 74
REFERENCES 75
ANNEXES 82

List of Tables

Table 1 IFB offering banks and Sharia Advisory board members 41

Table 2 Respondents' Demographic Characteristics 48

Table 3 I accept the operation of Interest free banking window service. 50

Table 4 I accept the IFB window service that guaranteed economic benefit than conventional banks. 50

Table 5 I prefer IFB window service due to its compatibility with sharia guidance. 51

Table 6 Due to use of Arabic terminology for its contracts, I don't prefer to use the IFB window service. 51

Table 7 I trust the operation of IFB window as like as full pledge Islamic banks and it makes me to accept window service 52

Table 8 I accept IFB windows service due to its use of Islamic Branding that promote Islamic value and moral. 53

Table 9 I accept the operation of IFB window service. * How Long You have been customer Crosstabulation 54

Table 10: Collinearity table 58

Table 11: Auxiliary model summary of residual squared 59

Table 12: Model Summary 62

Table 13: ANOVA table for multiple linear regression 64

Table 14: Coefficients table 65

List of Figures

Figure 1 The conceptual Framework of Acceptance of Interest Free Banking (IFB) in Ethiopia.....28

Figure 2:- Types of descriptive research.....38

Figure 3:- Types of survey.....39

Figure 4 Acceptance and Year of Affiliation.....55

Figure 5 Acceptance and customers' Account type Associated.....55

Figure 6 Acceptance and Name of Bank customers Associated with 56

Figure 7: Histogram 58

List of Acronyms

CBE = Commercial Bank of Ethiopia

IFB = Interest free Banking

NBE = National Bank of Ethiopia

SPSS = Statistical Package for Social Science

IDT = Innovation Diffusion Theory

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Banking is a financial service that primarily consists of receiving money owned by individuals and entities and then lending at a price (interests) in order to make profit. The prime role of banks is finical intermediation which refers to channeling of funds from depositors to borrows. Allen and Carlett (2008).

Banks pay interest to the depositor for savings and term deposits, and charge interest the borrows for loans advanced. So, the bank is in a position to cover its expense and earn profit by charging the receipt of facilities such as loans a higher interest than is paid to the depositor. (Nwite, 2005).

Islamic banking is banking per the values and attribute of Islamic law. Sharia is an Arabic word meaning performing as per the Islamic values and laws. The sharia law prohibits Muslims from dealing with in riba (Interest) which accurately suggests that increase, addition, rise, or growth. Khattak and Rehman (2010).

In Islam money is not considered as an asset. It is viewed strictly as a medium exchange hence not ethically permissible to earn direct return from it. According to the Institute of Islamic Banking and Insurance (IIBI) (2016) the prohibition on paying or receiving fixed interest is based on the Islamic principle that money is only a means of exchange, a way of defining the value of a thing and has no value in itself and therefore should not guarantee interest by being deposited in a bank or lend to someone else as it is the case of conventional banking payment and receipt of interest is therefore prohibited in Islam. This restriction led to the development of an alternative financial system that serve the need of Muslim communities. Sharia prohibits interest but allows trade and Islamic financial services are promised on this sharia does not prohibit all gains on capital.

Worldwide, Islamic banking system has gained momentum with the second half of the 20th century. According to Safa, (2009), Islamic financial institutions have already gained dominance in many Muslims countries and now becoming main steam in some western nations as well. Islamic financial industries have gained greater acceptance and appreciation that has led to expansion beyond the traditional boarder of the Muslim based economics in the major industrial economics, Aziz (2009). Benasissa parker and Wiegand (2005), observed that, Islamic financial Institutions are growing faster than conventional banks at 15-20% a year.

The global Islamic banking and financial industry assets worth slightly surpassed the USD 2 mark. (IFSI stability report 2018). However, despite the growth in Islamic banking, there are concerns that development of Islamic banking remains somewhat limited and that the industry may be suffering from lack of innovation Khan and Bhatti (2008) and lack of initiatives in convincing customers that they are really offering sharia compliant products and services and not dressing up conventional banking practices. Karbhari et.al (2004).

The world is now rapidly changing and all organizations are exposed to the external environment which is highly dynamic and continually presents opportunities and challenges. According to Capon (2008), organizations being environment dependent have to constantly adopt activities and internal configurations to reflect the new external realities and failure to do may put future success of an organization in jeopardy.

Todays' customers are becoming more knowledgeable; their test, preference, and quality expectations continue to change and this puts pressure on organizations which seek to meet these changing customers' need Muthama (2015). For any business of industry, the quest for growth is necessary to prevent it from disappearing. It is something for which most companies strive regardless of their size. Small firms want to get big, big firms want to get bigger and that companies

grow in order to accommodate the increased expenses that develop over time. Bakshi and Penkar (2014).

Despite the growth of Islamic banking worldwide, Ethiopian banking industry was continued to conduct most of their banking transactions using conventional banking system. This leads to a huge demand in county for Interest Free Banking (IFB) which has not been addressed adequately to date. Following this huge demand Ethiopian Muslim Community try to pave the way of IFB service by establishing a full pledged Interest free bank called **ZEMZEM.** But the government shutdown the interest free bank due to incompatibility with the country's financial demography.

Since Muslims believe that banking with conventional bank is against their religious faith and many see as sinful, large number of potential Muslim customers are not banking with conventional banks available in the country. To satisfy the community that have problem with the existing banking system and to provide alternative banking system, the National Bank of Ethiopia (NBE) circulated a draft of the NBE's directive that allowed Ethiopian national to establish a bank exclusively engaged in interest free banking. But the hope was short living one as the finally October 25/20011 issued draft "**the licensing and supervision of banking business directives number SSB/51/2011"** does not allowed the establishment of a full pledge Islamic financial institutions rather the directive opened the door for "**existing commercial banks"** to use an interest free banking window and to operate with alongside of their operation. Based on NBE's directive, the pioneer for IFB, Oromia International bank launched the service un September 2013 followed by the giant commercial bank of Ethiopia (CBE) at the end of October 2013. Finally, among 18 private and stated owned commercial banks 10 of them start IFB window service as per the requirement of NBE.

Dordonne (2013) says that, growth is the purpose of strategy which can be achieved in many ways, not always as a self-evident as gaining always more customers. Sometimes it can be about gaining

all of small kind of customers, some other times about being most cost efficient. Regardless of the method chosen to achieve growth, they are subsequently numerous ways to implement the chosen strategy.

In country like Ethiopia that has limited resource, small market shares and infant empirical experience but new competitive challenges, implementation of strategies in an organization is important. While, choosing the strategic method, companies should try to understand customers' perception that, it has to be accepted and positively perceived by potential customers. These makes customers' perception has an enduring research topic in banking (Holiday,1996). Even though, customers' perception is an enduring research topic in banking, Interest Free Banking-IFB service is untouched forefront portion of Ethiopian Banking Industry. As a result, only few studies have been done on factors affecting customers to use (accept) Interest Free Banking-IFB service from the view point of customers. Among these few published works, Islamic banking prospects, opportunities and challenges in Ethiopia (Mohammed Muhumed,2012), Role and progress of Islamic banking in India, Ethiopia and the rest of the world (Shaik Abdull Majid, 2014), Factor affecting customers to use interest free banking in Ethiopia (Debebe Alemu, 2105), Challenges and prospects of Islamic banking for resource mobilization in Ethiopia commercial banks (2015) are remarkable exceptions. Since Islamic banking has gained worldwide prominence and becoming one of the most important players in the banking industry, this study is aiming to fill the gap by identifying determinant factors to accept IFB in Ethiopia in order to raise awareness of the stakeholders that may play the greater success of the business.

1.2.Statement of the Problem

In Ethiopia, the introduction of Interest free banking window alongside with conventional operations created a new dimension in banking sector of the country. From the outset many commercial banks anticipated much demand from the side of the target customers. However, IFB products attract the intention of few customers. According to Commercial Bank of Ethiopia-CBE MIS Reports as of December 31/2016, IFB windows maintains only less than 3% of the total accounts of the bank and IFB's financing product able to attract only 0.12% of the total credit portfolio of the bank as the same date. On the other hand, IFB's depository and investment products jointly able to mobilize 1.13% of CBE's total deposit in December 31, 2016. According to the U.S. government estimates the total population is 111.5 million (midyear 2019 estimate). The most recent census, conducted in 2007, estimated 34 percent of the population adheres to Sunni Muslim. (International Religious Freedom Report for 2019).However, it is worrying why the majority of the target population being less interested in using those products available is a critical question to be answered?

Business organizations and especially Banking sector are operating in an environment characterized by a complex and competitive climate (Agbolade, 2011). Likewise, IFB window in Ethiopia is operating in such complex and competitive environment which needs a lot of efforts and resources to increase the perception of the customers who is viewed as the king and the key resource to success. As a result, identifying potential determinants to accept IFB in Ethiopia is vital task to build the knowledge and awareness of customers about IFB and its products. Based on the study conducted by Debebe Alemu (2015) perceived relative advantage, perceived compatibility, customers level of awareness and subjective norms have a significant positive impact on the attitude towards IFB in Commercial banks of Ethiopia. However; their study did not include the influence

of Attitude towards Islamic Branding and appointment of sharia advisory board by the banks as determinant factor. Accordingly, this study tries to examine important potential determinant factors for accepting IFB in Ethiopia by using Perceived Relative Advantage, perceived complexity, Perceived Compatibility, Trust and Attitude towards Islamic Branding, as independent factors through decomposed and modified Innovation Diffusion Theory using the data collected from selected other banks to increase the reliability and representativeness of the study.

1.3.Objective of the Study

1.3.1. General Objective

The general objective of this study is to identify potential determinant factors affecting customers to accept Interest Free Banking-IFB in Ethiopia with specific reference to Commercial bank of Ethiopia (CBE), Dashen and Abay banks.

1.3.2. Specific objective

- To access practical operation of IFB and level of Acceptance
- To examine the individual consumer perception towards Perceived Relative Advantage, perceived complexity, Perceived Compatibility, Trust, Attitude towards Islamic Branding for use of IFB
- To know the impact and magnitude of each factor on acceptance of IFB

1.4. Research Hypotheses

Based on the modified model developed for this study and previously stated research questions, the following hypotheses are formulated for the study to test their significance.

H_1 Perceived relative advantage has influence on acceptance of IFB

H_2 Perceived Complexity has influence on acceptance of IFB

H_3 perceived compatibility has influence on acceptance of IFB

H_4 Trust has influence on acceptance of IFB

H_5 Attitude towards Islamic branding has influence on acceptance of IFB

1.5. Significance of the Study

The study will have both theoretical and practical contribution. Theoretically, the study will contribute to formulate and to develop generally agreed determinant factor model used as base for business research on the area of customers' perception. Besides, the study will add a pool of knowledge on the area and the study will initiate further research on the field of Interest Free Banking-IFB service.

On the other hand, the study will have a practical contribution to Ethiopian commercial banks as well as regulatory bodied to enhance their knowledge on Ethiopian Banking Operational gaps against the perception of Ethiopian banking users. The study also will help the bankers by indicating proposed strategies and policies to attract more potential unbanked population by knowing the level of intention and attitude towards the use of Interest Free Banking-IFB.

The study will have informative contribution to Ethiopian conventional banks that does not offer dual banking service; for such banks the study will indicate the determinant factors which have significant effect on using Interest Free Banking windows to take proactive actions and to formulate strategies that attract the untapped unbanked population and to use as a niche market for them.

The study will also benefit potential customers and in need entrepreneurs in terms of knowing the product, understanding objective of Islamic banking and by indicating the availability of alternative source of finance which is in line with their faith and choice.

1.6. Scope and Limitation of the Study

1.6.1. Scope of the Study

In Ethiopia there are 18 conventional banks providing conventional products and banking service. Among these, only 10 commercial banks offer dual banking service by incorporating Interest Free Banking –IFB windows in their limited and selected branches. This study is delimited to Interest Free accountholders of Commercial Bank of Ethiopia (CBE), Dashen Bank and Abay Bank IFB windows located in Addis Ababa district due to time and budget constraints. These banks are selected based on their years of Operation and appointment of sharia board and number of board members which will be used for a base for multistage sampling. More over the study area is limited to both geographical coverage and problem addressed.

1.6.2. Limitation of the Study

The study is subjected to several limitations that will limit the interpretation of the finding. The study will focus on only on IFB offering branches sited in Addis Ababa city. The findings of this study are based entirely upon the research and hence may not be applicable to other areas and regions on account of contextual factors. Besides, the result from this might not be generalized to other banks with conventional banking service. Thus, the generalization of the result for analysis of the whole banking industry in Ethiopia needs much careful use of the result.

1.7. Organization of the Study

This study is organized in five chapters.

Chapter 1: Introduction: - contains background of the study, statement of the problem, research objectives and basic questions, hypotheses of the study, significance as well as scope and limitation of the study.

Chapter 2: Literature Review: - in this section the study presents theoretical and empirical literatures to the reader.

Chapter 3: Research Methodology: - This section of the study discussed the methodology employed including research design, sample size, sampling techniques, data source, procedure of data collection and data collection methods. Besides it describes method of data analysis.

Chapter 4: Data Presentation, Interpretation and Analysis: - this section of the study will clearly show the presentation of data, interpretation of presented data and analysis of the data gathered while conducting the study.

Chapter 5: Summary, conclusion and Recommendations: - Summary of findings and conclusions will be presented in this section of the study. This section also forwards the recommendations for the concerned bodies that are touched by the existing problems.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

This This section, in light of interest free banking, provides the theoretical framework of the study,empirical review, overview of IFB, conceptual framework and hypothesis development.

Literature on Islamic Banking

2.1. Concept of Islamic Banking

The beliefs of Islam encompass all aspects of a Muslim's life, determining the articles of their faith, their moral and behavioral code, relationships between man and Allah (God), and between human beings as well as giving the framework for their daily activities. Islamic law or Sharia, as revealed in and derived from the holy Qur'an and Sunnah (the sayings and practices of the Prophet Muhammad (Peace be up on him: -PBuH)), governs all economic and social activities and undertakings of Muslims.

While some of these principles and rules are based on clear and explicit rulings of Sharia, others are derived from Sharia scholars‟ interpretations and understanding of the law, known as Fiqh, as set out in the Qur'an. These interpretations can and of course do differ between Sharia scholars.

Islamic banking is a universal concept which is in practice in banks in both Muslim majority and Muslim minority countries of the world. Unlike the conventional banking system, the Islamic banking system can be defined as a faith-based system of banking, which derives its principles from the Islamic Sharia. This can be understood in the following definitions from different authors and organizations. For instance, the organization of Islamic Conference (OIC) defined Islamic banking as "a financial institution whose status, rules and procedures expressly state its commitment to the principle of sharia and to the banning of the receipt and payment of interest on any of its

operations". (Hassan, 1999 cited in Alamgir, Hossain and Faisal (2017, P, 5) That is, Islamic banking is built on a set of principles emanating from the Sharia.

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of the Sharia (Islamic rulings) and its practical application through the development of Islamic economics. The principles which emphasize moral and ethical values in all dealings have wide universal appeal. Sharia prohibits the payment or acceptance of interest charges for the lending and accepting of money, as well as carrying out trade and other activities that provide goods or services considered contrary to its principles. While these principles were used as the basis for a flourishing economy in earlier times, it is only in the late 20th century that a number of Islamic banks were formed to provide an alternative basis to Muslims although Islamic banking is not restricted to Muslims. (www.islamic-banking.com).

According to Yahiya Abdul-Rahman, (2010), Islamic banking defined as conventional banking minus the word "interest" with a new contract that does not include the word „„interest"" and that is structured in a convoluted version of buy/sell, in which the seller changes ownership to the bank and then the bank sells it to the eventual buyer. Many participants in Islamic banking business thought, with good intentions, that these guidelines made the contract Islamic.

Islamic banking according to Sandrararajan, (2011) consists of mobilizing funds through noninterest bearing deposits and through investment deposits based on "profit-sharing and loss-bearing" contracts and channeling these funds to finance permissible (under the Sharia law) investments activities, using various forms of Islamic finance contracts.

Islamic banking as described according to Yahiya Abdul-Rahman, (2010) it is a brand of banking that is socially responsible and is community-based in both spirit and intent. This brand of banking is the manifestation of Judeo-Christian-Islamic values. In addition to this Islamic banking does not

discriminate, because discrimination in service and financing and in dealing with others is a major sin in all Abraham faiths. Islamic banking is a system of banking that mobilizes saving on the basis of profit and loss sharing that is considered to be fairer and more conducive to measurement and development. Owing to the growing demand by the Muslim population in Western countries and also to the increasing interest of Islamic investors to diversify geographically their portfolios, conventional banks are increasingly becoming interested in entering the market of Islamic financial products. (Hassen and Lewis, 2007)

The European Central Bank (2011) sees Islamic bank as a banking system that complies with Islamic religious law (Sharia). Furthermore, Islamic Banking is defined as the conduct of banking operations in consonance with Islamic teachings (Haque, Jamil and Ahmad, 2007). In addition, Filippo, Pierluigi, Stéphane, Angela, Lauren, Baljeet, Sergio, Steven, and Sajjad, (2013) opined that the Islamic banking system has a distinctive feature that tries to reconcile a secular banking system with the basic tenets of the Islamic faith. In tandem with the above definitions, Islamic banking classified as a religious innovation that provides an ethical investment (Edwardes, 2000) cited in Noman (2002).

However, the term Islamic Bank may be defined in some different specific term according to the territorial anatomy of the country or region. Keeping in view the objective of Islamic bank, Hassan (2007) define Islamic bank as “A banking institution which conducts all its operations conforms to Sharia, without involving itself and its clients in Riba (interest) in any way”. The International Association of Islamic Bank (IAIB) viewed Islamic bank as banking which implements a new banking concept in that it adheres strictly to the rulings of Islamic Sharia in the fields of finance and other dealings. The later definitions incorporate the both aspects of banking and Sharia on an equal proportion, as Islamic bank has to fulfill two basic requirements.

Firstly, its operations must be based strictly on Islamic principles and secondly it must perform the functions of a sound banking. It is therefore indicative that the Islamic bank faces the technical constraints usually imposed on banks and is also subjects to the legal and ethical constraints provided by the Sharia (Hassan, 2007). Perhaps Ahsan gives the most comprehensive definition of Islamic bank. Ahsan (1988) defined an Islamic bank as "a financial and social institution whose objectives and operations as well as principles and practices must conform to the principles of Sharia and which avoid the use of interest in any of its operations.

It stands for an alternative financial system based on Islamic ideals. It is not only a financier but also, a partner in productive''. This definition asserts the main feature of Islamic banks: Multifunction banks, offering all the services rendered by conventional banks, but on an interest free basis, it promotes profit and loss sharing in all conduct of banking businesses and, most significantly guidance by Islamic Sharia through a board of Islamic scholars called the "Sharia Supervisory Board" (SSB).

It should be kept in mind that the concept of Islamic Banking and Interest-Free Banking are synonymously used in Islamic Economics and financial literatures as an alternative banking framework to the interest-based conventional banking practice. Although in technical terms, there is a difference between an interest-free bank and an Islamic bank but they are sometimes used interchangeably. (Ibrahim et. al.2015). According to Mannan (1976) cited in Ibrahim et al.2015) Islamic banking is an interest-free financing system essentially based on profit and loss sharing. And its operations are in conformity with Sharia. It is therefore, the cornerstone of the Islamic Banking System which is by definition Interest-Free. In contrary Gusau (2000) argues that "Islamic banking system is supposed to operate completely within the Sharia in all its activities both in sourcing of funds and disbursement of the funds. It not only avoids interest in all its ramifications

but also it avoids all other Islamically prohibited activities. Interest-free banking system on the other hand, does not engage in interest but there is no reason to suppose that all its other activities will be done strictly according to Sharia". All in all, interest-free operation is a necessary but not a sufficient condition for a bank to qualify as an Islamic Bank; in addition to non-interest charges, the bank must promote Islamic ideals. (Ibrahim et al, 2015).

Deposit without interest and lending without interest does not makes interest free banks including conventional banks Islamic windows compline with the sharia principles which is the basic nature of Islamic banking system. Therefore, Interest-Free Banking can be described as the provision of Interest-Free Banking services by the Islamic banks on the basis of profit and loss sharing (PLS) principles. It is an operational strategy adopted by Islamic banks in which noninterest-based banking services are operated alongside with conventional banking services, for the purpose of meeting increasing demand from customers, improve mobilizations of savings as well as benefit from the new vista of opportunity offered by Islamic banking system.

2.2. Evolution of Islamic Banking

The origin of Islamic banking as a major player in the financial domain was in the early 1970"s. But the rules and regulations governing Islamic banking system has been present in the world for many centuries.

During the middle ages, Islamic finance was popular and was widely accepted and practiced. It helped in furthering the trade and business in the Muslim world. The Islamic merchants began to play a very important role in the European region (Mediterranean, Spain and Baltic States).

Islamic finance has become a global system spreading as far as Asia, the Middle East, and the Western world. Islamic banking is not limited only to the Muslim nations in the Middle east but also exists in the developed economies such as USA, Europe, and the far East. Today, more than

four hundred and fifty (450) Islamic banks are operating from China to USA, having assets in excess of one trillion US dollars.

Islamic banking has a recent origin as compared to its conventional counterparts. Although scholars have discussed and analyzed issues with regards to a system of banking that is interest free based much earlier, much exclusive attention to the subject matter is a 20thcentury phenomenon (Bala, 2004). As Bala (2004) the history of interest free banking could be divided into two parts. First, when it still remained an ideal; second when it became a reality by private initiative in some countries and by law in others.

2.2.1. Interest Free Banking as an Idea

Bala (2004) indicated as the earliest reference to the reorganization of banking on the basis of profit sharing was written by Anwar Qureshi (1946), NaiemSiddiq (1948) and Mohamed Ahmed (1952). They have all recognized the need of commercial banks that use profit and loss sharing mechanism and have proposed a banking system based on concept of Mudarabah (profit and loss sharing). In 1970th interest free banking attracted more attention because of emergency of young Muslim economists. The first idea emerged in that of Muhammed vzair (1955). Another set of idea emerged in the late sixties and early seventieth, Abdullahal-araby (1967), Nejatullahsiddigi (1961,1969), Al Najjar (1971), Baqiral-sadr (1961,1974) were the main contributors.

2.2.2. Interest Free Banking as Practice

The institutional and governmental involvement led to the application of theory to practice and resulted in the establishing of interest free banking. The practice of modern Islamic banking formally began in 1963 with a pioneering experiment in Egypt which established in the town of Mit-Ghamr, which lasted only for 4 years until 1967 due to a variety of political factors, the movement was short lived when the banks were unable to attract the required substantial numbers

of small depositors. Ariff, (1988) noted that prior to Mit-Ghamr's experiment of 1963, a small scale or limited scope interest free banks had been tried before, one in Malaysia in mid 40s and the other in Pakistan in the late 1950s, neither of these two survived. It was the work of December 1970 conference that caused the establishment of Nasr social Bank in Egypt in 1971, the Philippine Amanah Bank in 1973 and the Dubai Islamic Bank in 1975 were established. Several others like the Faisal Islamic of Sudan and Faisal Islamic bank of Egypt were established in 1977 (Bala, 2004). Since then, there has been a steady expansion of Islamic banks in the 80sand 90s. In many Muslim countries especially in the Middle East, Islamic banks are rapidly gaining market shares in their domestic economies (Hassan and Bashir, 2003). By some estimates, Islamic banking has been growing at 10% worldwide and about 15% in the Gulf which is much higher than the growth rate of conventional banking (Schoon et al, 2003). At the present most Muslim countries have some type of Islamic banking although the degrees of practice conformance vary between countries. Lewis and Algaourd (2001) identified two basic forms of expansion of modern Islamic banking. The first involves the process of converting the entire financial intermediation of a country from a conventional system to a full-fledged Islamic system. The countries that had adopted such an approach are Pakistan, Iran and Sudan. The majority of other countries followed the second approach. In the second form, there are deliberate attempts by both the regulator and the market participants to establish Islamic banks to compete with conventional banks but essentially, they maintain a mixed system where conventional banks and Islamic banks co-exist. Interest free banking seems to be of very recent origin in Ethiopia.

2.3. Sources of Islamic Legislation

It is essential to understand the source of Interest free banking before the discussion on fundamentals principles of Interest free banks. In Islam, the faith and daily activities are linked

together unlike any other religion (Alamgir et al, 2017). There is no concept of an economy functioning independently of the religious criteria that inform every single aspect of human life (Olanipekun, Brimah, and Ajagbe, 2014). According to Novethic (2009), the principles of Islamic finance and motivations behind Islamic finance as laid down by the Sharia, or Islamic law that is based on the writings of the Qur'an and sayings of the Prophet and which also acts as a framework for different aspects of day-to-day life for Muslims. Since banking is part of daily activities, banking practices are guided by Sharia, known as FiqhalMuamalat (Islamic rules on transactions). The Sharia is the Divine Law that lists moral, ethical and legal principles and promotes a certain code of behavior described by the Holy Quran and describes or lists both the unwritten and written code of obligations toward every sphere of human activity. The Sharia includes a set of duties and practices such as prayer, manners, ethics, marriage, conducting business, finance transactions, contracts and other rules of Allah (Szczepanowicz, P.26, 2011). The Sharia also offers several ethical and social criteria for exclusion regarding the investment targets and financial products allowed for Muslims (AAOIFI, cited in Szczepanowicz P.26, 2011).

The rules and practices of Fiqh Muamalat are derived from the Holy Quran, the Sunnah, Ijma, Qiyas, and Ijtihad (Olanipekun et al., 2015; Gait and Worthington, 2009; and Pasha, 2014). Although the classification of these sources as well as their level of acceptance may vary among the Islamic Schools of thought, all schools regard the first two resources as the most important sources of sharia. More specifically, two sources have been identified for Sharia: Qur'an and Sunnah are the primary sources of Sharia. According to Gerrard and Cunningham (1997), the Qur'an (Muslim Holy book), clearly deals with economic-related matters and how they apply in Islam. The Holy Quran also says that commerce and trade includes three basic principles (i) Risk Taking (ghorm); (ii) Work and Effort (kasb) and (iii) Responsibility (Damam) (Pasha, 2014). Furthermore, the Quran

contains explicit rules regulating personal status, contracts, property, civil and criminal law, and the economic system. The main prescriptions relating to financial transactions are: the prohibition of riba (i.e. the payment of a fixed or determinable interest on funds); and the prohibition of economic practices that involve the concept of gharar (deceptive uncertainty), maysir (speculation) and haram (prohibited behavior) (Aziz, 2012 cited in Olanipekun et al., 2015). Sunnah generally refers to all that is narrated from the Prophet (PBUH), his acts, his sayings, whatever he tacitly approved, plus all the reports that describes his physical attributes and characters (Kettell, 2011). The Holy Qur'an and the Sunnah of the prophet, which is known an Al-wahyain (the two revelations), are the only primary sources of Islamic law (shafi'i, 1940 cited in Baej, P.9, 2013).

The secondary sources are opinions collectively agreed among Sharia scholars Ijma, Qiyas and Istihad. These secondary sources are Islamic jurisprudence (fiqh), based on the interpretations (Istihad) of experts in particular cases (e.g. ones of implicit or unclear rules), on deductive reasoning (qiyas), (Abedifar, Molyneux, and Tarazi, 2012) and on the expert consensus of various schools of thought (ijma) (Aggarwal and Goodell, 2009).

2.4. Fundamental Principles of Interest Free Banking

Islamic banking is commonly defined as a form of banking system which operates without the norm of riba. Riba is the component in the banking concept. According to Mohammed and Mahdi, (2010) riba is one of the most effective factors for deciding to deposit in banking system. Herald and Heiko, (2009) also mentioned riba as one of the determining factor for commercial bank deposit and it is important element of Islamic economic society. All covers the meaning to load additional money on funds lent to borrower. As such it is fundamental to understand the Islamic economics to have fair idea about Islamic banking. Kahn, (1986) also defines an interest-based, or traditional, banking system is symmetrical, with interest being paid and charged for the use of funds. In

addition to this Iqbal and Mirkahor, (2011) riba simply refers to the "premium" that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in the duration of loan. Riba is a contractual instrument by which the lender collects a predetermined interest added to the principal amount it has lent out. The principal amount can be money, gold, silver, or fungibles including wheat, barley, dates, etc (Qasaymeh, 2011)

In fact, Islamic laws prohibit Muslims from paying or receiving interest; prohibit Gharar, encompassing the full disclosure of information, removal of asymmetric information in contracts and the avoidance of risk-taking; exclusion of financing and dealing in activities and commodities regarded as sinful or socially irresponsible (such as gambling, alcohol and pork); an emphasis on risk-sharing, the provider of financial funds and the entrepreneur share business risk in return for a pre-determined share of profits and losses; the desirability of materiality, a financial transaction needs to have 'material finality', that is a direct or indirect link to a real economic transaction; any transaction leading to injustice and exploitation is prohibited; and upholds contractual obligations and the disclosure of information, which in turn reduces the risk of asymmetric information and moral hazard (Alamgir et.al, (2017), Iqbal and Molyneux (2005), Gait and Worthington (2009) and Abdul-Gafoor (2003)). The following sections distinguish some principles of Interest free banking or Islamic Banking system.

2.4.1. The prohibition of Riba

Prohibition of interest (riba) is any unjustifiable increase of capital, whether in loans or sales, it is the central tenet of the system. More precisely, any positive, fixed, predetermined rate tied to the maturity and the amount of principal that is, guaranteed regardless of the performance of the investment is considered interest and is prohibited. (Iqbal and Mirkahor, 2011)

Prohibition of interest is not exclusive to Muslims. The origin of norms in Christianity prohibits interest. It is said in the Bible 'Thou shalt not lend upon usury to thy brother, usury of money, usury of victuals, usury of anything that is lent upon usury' (The Holy Bible (King James Version) Old Testament, Deuteronomy 23: 19 183)

Riba which is the same thing as interest has been defined differently by different scholars (Bello and Abubakar, 2014). Some of these scholars see it to mean the same thing, while some try to differentiate it from interest charged in the conventional banking on a loan. According Baej (2006) Riba is an Arabic word that, in general, has verbal and conceptual meaning. The literal meaning of the word is the increase' or the growth. However, the term is specifically used by Sharia jurists and scholars to refer to either Riba al Nasi'ah which means Riba of delay or Riba al fadl. Riba al Nasi'ah means the excess over capita in a loan in exchange for a delayed period of payment (Albalawi, 2006, p.55 Cited Baej, 2013). It also refers to the practice of lending money for any length of time on the understanding that the borrower would return to the lender at the end of the period the amount originally lent together with an increase on it, in consideration of the lender having granted him time to pay irrespective of loss or profit (Bello and Abubakar, 2014). Whereas Riba al- fadl associated with quality in direct exchange of commodities.

Islam, like other monotheistic religions, condemns and prohibits Riba. The prohibition of Riba in Islam is given in strong and clear-cut terms (Kahf, 2009). The prohibition of riba is mentioned in four different revelations in the Qur'an and Hadith (saying and deeds or tradition) of the prophet Muhammad PBUH. The first verse is in Surah Al-Rum 30:39 emphasizes that interest deprives wealth of God's blessings. The second verse is in Surah An-Nisaa 4:161 condemn it, placing interest in juxtaposition (connection) with wrongful appropriation of property belonging to others. The third verse is part of Surah Al-i-'Imran 3:130 enjoins Muslims to stay clear of interest for the

sake of their own welfare. The last revelation is reported in Surah Al-Baqarah 2:275 whereby establishes a clear distinction between interest and trade, urging Muslims to take only the principal sum and to forgo even this sum if the borrower is unable to repay.

Mostly the people who are unaware of the Sharia and its economic philosophy are of the view that if interest is abolished from the financial institutions, it will make them charitable institutions rather than commercial, which will offer financial services without any return (Shah, Raza and Khurshid, 2012). This is a completely wrong assumption. The Islamic ban on interest does not mean that capital is costless in an Islamic system. Islam recognizes capital as a factor of production but it does not allow the facto to make a prior or pre-determined claim on the productive surplus in the form of interest (Ariff, 1988). In Sharia interest free loans are only for charitable activities not for the commercial transaction except in very partial range. In case of commercial finance, Sharia has different lay down of procedures. If a person gives money to another person, he must decide whether he wishes to help him or wants some share in the profit. If he wants to help the borrower, he must not claim an additional amount other than his principal amount. But if he gives money to share the profits earned by the other party, he must share the profit as well as loss (Shah et al., 2012). Therefore, it is obvious that exclusion of interest from the financial institution does not necessarily mean that the financier cannot earn profit (Usmani, T 2004).

2.4.2. The prohibition of Al-Gharar

Islam considers the performance of contractual obligations as an important duty of parties of the transaction. These requirements are intended to reduce the risks associated with asymmetry of information and moral hazard. This tenet basically implies to the fact that business transactions involving elements of speculation (gharar) are also condemned by Islamic shariah. Gharar refers to entering into a contract in absolute risk or uncertainty about the ultimate result of the contract and

the nature and/or quality and specifications of the subject matter or the rights and obligations of the parties. Gharar is also involved if there is a lack of adequate value-relevant information or there is inadequacy and inaccuracy of any vital information which leads to uncertainty and exploitation of any of the parties (Ayub, 2007). It actually refers to the offer and sale of things whose presence or qualities are not sure, or a sale including a high degree of risk and uncertainty (Ibid). In business terms, gharar means to undertake a venture blindly without sufficient knowledge or to undertake an excessively risky transaction, although minor uncertainties can be permitted when there is some necessity. In a general context, the unanimous view of the jurists holds that in any transaction, by failing or neglecting to define any of the essential pillars of contract relating to the consideration or measure of the object, the parties undertake a risk which is not indispensable for them. Such risk is deemed unacceptable and tantamount to speculation due to its inherent uncertainty (Lewis and Hassan, 2004). Generally, Ghara translated as hazard, risk and uncertainty, it is mostly understood in the light of its examples found in the Sunnah of what was actually regarded as gharar by the Prophet (PBUH). Selling fish while still in the pond, actual quantity of the catch unknown, or an unborn animal still in its mother's womb, was prohibited (Siddiqi, 2006). Since Islam prohibits speculation and most of the Islamic bnking products are based on concepts of Islamic contracts, a potential Islamic bank will avoid all transactions with excessive risk.

2.4.3. The prohibition of Al-Maysir

Islamic banks are financial institutions that are there to provide support for economic activities that are ethically, morally and lawfully right (Honohan, 2001). The sharia determined that in the interests of fair, ethical dealing in commutative contracts, unjustified enrichment through games of pure chance should be prohibited (Lewis and Hassan, 2004). The name for that in Islam sharia is maysir. A prohibition on games of chance is explicit in the Holy Qur'an which uses the word

maysir for games of hazard, implying that the gambler strives to amass wealth without effort, and the term is now applied generally to all gambling activities. Gambling in all its forms is forbidden in Islamic jurisprudence. Islamic law also forbids any banking activities which contain any element of gambling.

2.4.4. The Prohibition of Unethical Investments

Islamic banking is a banking system that is based on Sharia. To be acceptable from a sharia point of view, a finance product must be morally sound. This is a general human standard preached and adopted by the sharia. It means that an Islamic financing institution can't use its resources to support the production or distribution of specific activities which are forbidden by Islam. That is, investments in unethical or immoral sectors such as alcohol, gambling pornography, environmentally harmful products, and/or any other production or distribution of any material or service that does not have a humanly acceptable ethical foundation. So any transactions that are prohibited by sharia are avoided in Islamic banking. Islamic banks can only partake in transactions or activities that are approved by the sharia board or advisors.

2.4.5. Profit and Loss Sharing

Since Islam prohibits dealing with Interest, alternative which has been mentioned is the trade. Sharia based transactions means the financing modes adopted by Islamic banks on profit and loss sharing basis including Musharaka (partnership in capital) and Mudaraba (partnership of capital and skill). Under Sharia based modes of financing returns of financier are not fixed in advance rather it depends upon the outcome of the project. Instead of having a fixed amount of Interest, risk as well as profit in Islamic finance should be shared between the two parts (the lender and borrowers) of financial contracts which called profit and loss sharing (Gaint and Worthington, 2009). Due to the profit and loss sharing aspects of some Islamic finance techniques, it can also enable poor

entrepreneurs to gain access to funding to set up their own businesses, without providing the necessary collateral that may be requested in the conventional banking market.

2.4.6. Asset-backed banking Transactions

A common theoretical aspect of all Islamic banking financial products is that they are asset backed. Investment activities of Islamic banks have been favorably skewed towards the real sectors of the various economies in which they operate. Interest free banks cannot extend credit facility without having support from real sector. Financing is either made through sharing risk and reward or must be asset backed. By far the most impressive argument in favor of Islamic finance has been that it integrates the financial sector with the real sector. The debt propelled conventional system fails to do so. In the Islamic financial system there is an existing or potential real asset corresponding to every financial asset. Not so in the conventional system in which financial assets based on or derived from other debt based financial assets go on multiplying, making the system more vulnerable to speculation leading to instability. Instability originating in the financial sector spreads to the real sector affecting balance of payments, employment, production and living standards.

2.5. Acceptance on the Islamic Banking

Islamic banking (IB) is a banking system that is based on the principles of Islamic law which is mutual risk and profit sharing. Henry and Wilson (2004) stated the similarity on operation of Islamic bank and commercial bank but Islamic banking is governed by Islamic laws. Erol and El-Bdour (1989) and Erol, Kaynak and ElBdour (1990) stated that profitability, service quality and customers legal protection determine acceptance on IB. Roy (2014) studied that Islamic banking system follows the Sharia principle or Islamic Law. In the view of Islam, Sharia principle explained the term of Riba is receipt of any specific interest or the income on loan and itis strictly prohibited. In Islamic principle, the investment in businesses sector that provide goods or service

also entitled as Haram. There is a restriction in Islamic banking that receipt of interest or Riba. Kelana and Lai (1998) stated that Islamic banking distributes the dividend by profit sharing and offers borrower with the fixed repayment rates and it is Halal or authority for Sharia principles. In the late 20th century some Islamic banks formed to apply these Sharia ways of thinking/basic truths/rules to private or semi-private commercial institutions within the Muslim community. Eventually, Islamic banking directs the development of Islamic money flow/money-based studies. The most correct term of Islamicbanking is the term of "Sharia complaint finance". Nicholas (1994) mentioned that Islamic banking offers the same facilities like to make money for the banking institute by lending out capital as ordinary banking system except that it strictly follows the rules of Sharia orFiqhal- Muamlat. Islamic banking provides banking services that loyal to Islamic law and secure/make sure of fair play to the customers. The Islamic law reflects (all of/every part of) Allah' commands that control all parts of a Muslim and also the Islamic finance is directly involved with (related to religion or the soul) values and social judges. In addition, based on the Acceptance of Islamic Banking: Among Malaysian Working Adults Rosenblatt (1988), 423 Canadians was selected to choose the responsible person in selecting bank for their organizations, the important factors that influenced their choices was bank which offer a better quality service. The respondents also prefer to allocate a special officer which has knowledge in customer's business operation. They also prefer on product and service quality more than the innovative products. Corporate customer only switches their products if the new bank is able to persuade them that the quality of its products and services were more expert compared to their previous bank (Chan & Ma's, 1990).

2.6. Theoretical Framework of the study

2.6.1. Innovation Diffusion Theory (IDT)

Sequence of events that people exceed from early level of knowledge regarding a service, product, or innovation to achieve positive or unfavorable attitude about it to make choice whether adopt or reject which accordingly lead to exploitation of innovation as well as support of adoption decision is known as the innovation diffusion process (Rogers, 1983). In point of fact, these two process (diffusion and adoption) are two strongly connected procedures regarding acceptance of new services, innovations and products (Norazah, 2006). Hence, the core theoretical constructs in diffusion and adoption researches frequently highlight customers' perception, user acceptance, behavior prediction and finally innovation adoption. Normally, Rogers' Diffusion of Innovation is one of the most applied models in adoption behavior prediction studies in different area of social science context.

According to Anuar et al., (2012a), Innovation Diffusion model provide the ability in which scholars investigate the way a new innovation, product, or service extend among diverse individuals clusters. Accordingly, while Rogers is working on 5thedition of his text, he has identified more than 5200 adoption and diffusion researches in different context. In more detail, this theoretical model has been empirically tested in a substantial number of studies linked to new products and innovations (Hernandez et al., 2009).

Adoption process refers to passing from awareness in the direction of full acceptance of a product, service or innovation (Rogers, 2003). Accordingly, Rogers (2003, 1995) have classified the five characteristics of an innovation which are the key determinants of adoption rate of an innovation that is to say relative advantage, complexity, compatibility, trial ability and observability. Likewise, these five attributes are important factors regarding acceptance, usage and adoption

behavior of potential adopter (Liao and Lu, 2008). Moreover, these innovation characteristics have been applied in different framework solely or incorporation with other models and variables as the great indicator of adoption rate consisting of, mobile banking adoption (Püschel et al., 2010), internet banking adoption (Nor et al., 2010),adoption of mobile commerce(Wu and Wang, 2005),smart phone adoption (Chen et al., 2009), online shopping adoption intention (Vijayasarathy, 2004) and mobile payment usage intention (Kim et al., 2010).

2.6.2. Conceptual Framework of the Study

To evaluate potential determinant factors, this study would expand Diffusion of Innovation theory to Acceptance of IFB in Ethiopia by incorporating other variables that would determine the level of acceptance in Ethiopian Context. For this reason, five attributes can be used in predicting and explaining customers' intention towards Acceptance of IFB in Ethiopia. Many studies proved that some of the other dimensions of innovation diffusion theory as well as other dimensions have also a significant influence on the attitude towards behavior, including Awareness (Rammal & R. Zurbruegg, 2007), subjective norm (Abduh, M.,2012) and perceived trust(Gholami et al., 2010). Hence the belief structure will be decomposed into five main dimensions i.e. Perceived relative advantage, perceived compatibility, perceived complexity, Perceived Trust, Customers Awareness, and subjective norms.

Accordingly, dependent and independent variable of this study has been derived by modifying Rogers' (2003) Diffusion of Innovation theory. Therefore, independent variables of study would be perceived relative advantage, perceived relative complexity, perceived relative compatibility, Trust, Attitude and while the dependent variable of current research is Acceptance of IFB window service which will be measure within the dimension of acceptance and usage. The Figure 1 points up the

anticipated framework of this paper developed by the researcher. This theoretical framework explains the conceptual foundation that the study would be conducted.

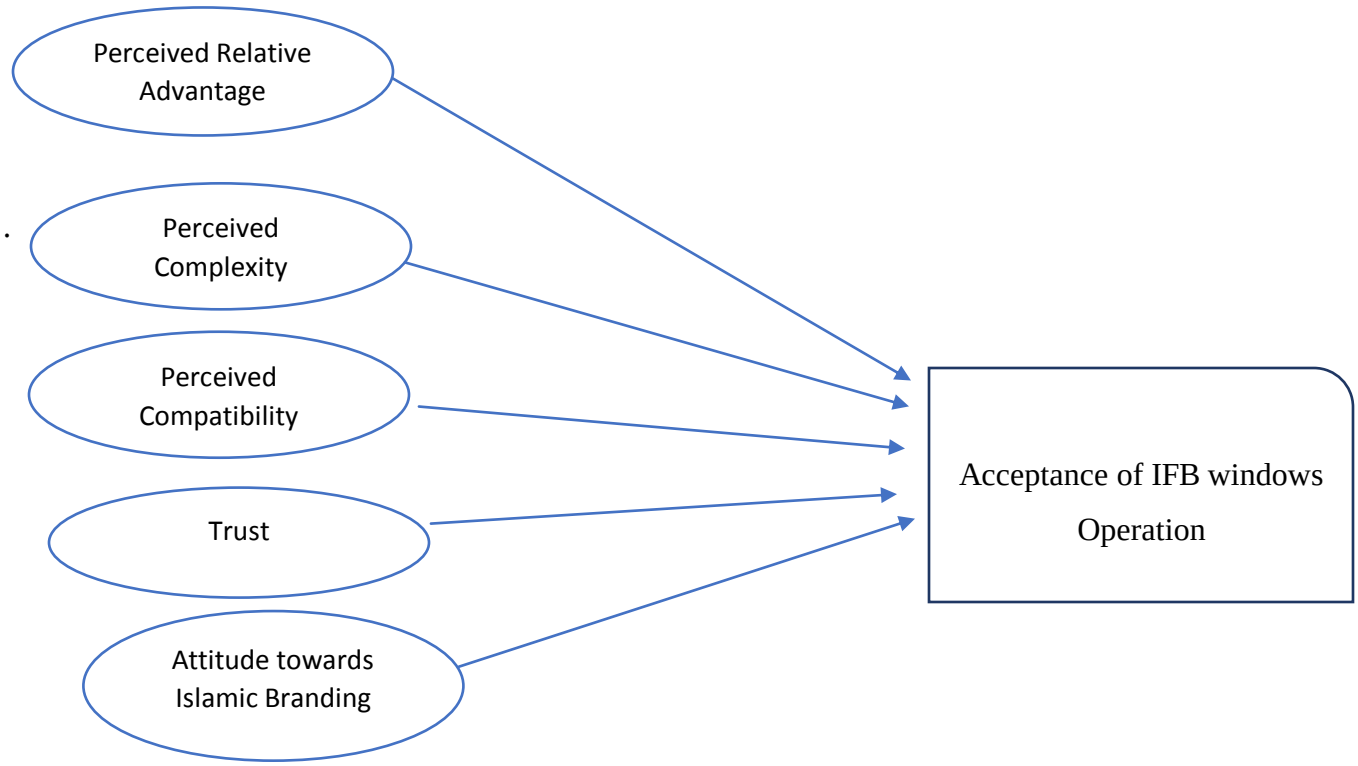

Figure 1: The conceptual Framework of Acceptance of Interest Free Banking (IFB) in Ethiopia

2.6.3. Perceived Relative Advantage

The degree to which an innovation or products is perceived to be better than the substituted idea or innovation is known as relative advantage of new products or service (Rogers, 2003). Relative advantage has been designed to reflect perceptions of customers which all or certain qualities of the proposed innovation can offer incremental value to its potential adopter comparing with present available options (Flight et al., 2011). Rogers (1995, 2003) have indicated that relative advantage can be explained as economic profitability, social prestige, and/or other potential benefits that possible user would receive by applying the current innovation. In consistent, different scholars in numerous area of adoption and usage studies have indicated that relative advantage is one of the

most remarkable predictors in adoption innovations of different products and services(Brown et al.,2003, Tan and Teo, 2000, Hsu et al., 2007, Lu et al., 2011, Tung and Rieck, 2005, Thambiah et al., 2011b, Gerrard and Cunningham, 2003). Rogers (2003) believed that improvement in social status as well as economic profits is perceived to be important by adopter as relative advantage terms whilst, save in time and effort, low initial cost, social prestige, discomfort decreasing and economic profitability have been considering as relative advantage sub dimensions (Gerrard and Cunningham, 2003).

The present study therefore intends to examine relative advantage within the dimension of economic benefits (profits earnings, reduce the burden of interest, reduce risk, profit and loss sharing benefits) and fairness (in the conduct of profit sharing, ethical banking system, equal distribution of wealth).

2.6.4. Perceived Complexity

The degree to which a product, idea or innovation seems to be difficult to understand as well as use is main concept of complexity (Rogers, 2003). Actually, complexity explain required level of physical or mental efforts which is needed by individuals for adopting and continues usage of a particular innovation (Nor et al., 2010).In addition, it has been hypothesized to be negatively associated with adoption rate of an innovation (Rogers, 1995; Corrigan, 2012) due to the fact that complexity of an innovation, idea or product can act as an inhibitor for its implementation in successful way (Wang et al., 2010).Thus, complexity is measured as the exact opposite side of ease of use that have been acknowledged to have direct impact on adoption of internet (Lederer et al., 2000).

Rogers (2003) defined complexity as the extent to which an innovation is considered by the users as difficult to understand and use. Complexity has been reported by many researchers as a factor

relating negatively to the usage or adoption of products and service (Butt et al., 2011; Ho & Wu, 2011; Ostlund, 1974; Thambiah, Ismail, &Malarvizhi, 2011; Wungwanitchakorn, 2002). (Thambiah, Eze, Santhapparaj, & Arumugam, 2010), found complexity to have impacted negatively on the customer partakes with Islamic banking in Malaysia. This finding was in concord with the assertion of Haron and Azmi (2009) whose indicated that complexity in products understanding poses some difficulty to customers in relation to the usage of the products and services of Islamic banks in Malaysia. Specifically, Haronand Azmi (2009) identified that Arabic terminologies use by the Islamic banks led to the customers' perception of the products as complex and hence affected their usage. A similarly findings was reported in a study conducted by Muhamat, Jaafar, and Azizan (2011). In relation to this, (Thambiah et al., 2011) observed that raising the level of customers' understanding could lower their perceptions on the complexity of the products and services. Complexity leads to skepticism on adoption of a particular products and services as reported by Akbar, Shah, and Kalmadi (2012) in which, the finding indicates the prevalence of high perceive complexity which affect the level of the adoption of the bank considerably in the UK. Correspondingly, Ringim (2013) found that, in Nigerian context, the prospective customers of Islamic banking are not immune of skepticism. The findings further reveal that, understanding contributes towards customers 'decision to patronize Islamic banking products. This implies that, lack of proper understanding expose the customers to perceived complexity and hinders their participation with the bank.

Therefore, in the context of this study, complexity is considered as the degree to which Islamic bank products and services are perceived as difficult to understand and use by the customers.

2.6.5. Perceived Compatibility

Compatibility refers to the degree to which an innovation, idea or product is known to be consistent with past related experience, current values and different needs of potential adopters(Rogers, 2003). Anuar et al., (2012b) argued that an innovation or product that seems to be incompatible with social system norms as well as values would not have the chance to be accepted and consequently adopted by potential customers as fast as product that is compatible with current standards and consumer values. Rogers believed that individuals would be more likely to adopt a new idea or innovation when this innovation is compatible with them. Furthermore, previous studies widely have indicated that compatibility as one of perceived attributes of innovation characteristics in concept of beliefs and past experiences as well as values affect innovation adoption in multiple different context (Tung et al., 2008, Norazah, 2006, Beiglo and Zare, 2011, Wu et al., 2007, Hernandez and Mazzon, 2007, Arts et al., 2011, Giovanis et al., 2012, Papiesand Clement 2008, Elahi and Hassanzadeh, 2009). This study also intended to focused on Sharia compliance of its operations, covering asset side, such as financing activities with various Sharia comply modes of financing and Sharia comply liquidity management, as well as liability side, such as funding activities with various Sharia comply deposits and also to investigate achievement of Sharia objectives.

2.6.6. Trust

Normally, diverse explanation has been given for trust by scholars depending to a variety of researches' perspective including marketing (Sirdeshmukh et al., 2002), sociology (Lewis and Weigert, 1985) and economics (Williamson, 1975). Nevertheless, Rousseau et al., (1998) believed that owing to its interesting dynamic impact and multidimensional meaning, lack of general agreement exists about trust definition. Generally, trust has been described as enthusiasm of people

to be vulnerable linked to another people or part actions (Mayer etal., 1995). Likewise, Pavlou, (2003) point that this depends on the other part or person responsible mode actions. More distinctively, consumer trust in self-service technology refers to competent and reliable performance expectation (Johnson, 2007).

The operation of IFB windows should be Sharia based service to be recognized as a predictable as well as reliable financial service that do not have any harmful consequences for its potential users. Islamic banking is an alternative to the existing conventional banking system which is based on interest and Riba. An Islamic bank is not only a firm but also a moral trustee of the depositors whose trust is given to banking firms. In the context of Islamic banking activities, the stakeholders trust IB to employ the resources in accordance with the Sharia. IB needs to guarantee that all aspects of the operation, management and products and services are in compliance with Sharia. To ensure that the products and services are in accordance with Sharia involves certain procedures approved by qualified scholars (Errico and Farahbaksh 1998). Furthermore, it is explained that the Islamic banking business is not regarded as a worldly affair, but rather, it is a form of worship that includes economic dealings, preserving the relationship with society and environment and fulfilling obligations to God (Triyuwono 2004). Thus, humans are expected to show their awareness of the difference between the sacred and profane aspects when carrying out their economic activities and also be conscious that they are accountable for all their worldly affairs in the hereafter (Triyuwono 2004).

In addition, according to Islamic ethics, IB's management are accountable to the depositors in this world and in the Hereafter if they fail to keep the trust invested in them (Samad and Hassan 1999). The agent-principal relationships within Islamic banks arise from the partial control of the resources entrusted to the managers by the shareholders and investment account holders. Management is

regarded as the agent to whom the supplier (principals) of investment and equity capital entrust a portion of their resources in a Sharia approved manner. The expectation of the bank's stakeholders towards the management is seen as a form of trust. In addition, in IB, the relationship resulting from trust is not only defined by the agent-principal relationship as such, but rather it is inclined to be part of a broader relationship for which the agent is responsible to God, implying the involvement of ethical and moral attitudes (Triyuwono 2004). Thus in Islam, the ethical problem is halted at its root rather than being addressed when it occurs. In addition, effective and consistent enforcement of a single code of ethics should be applied at all levels of staff without regard to their positions. This is to ensure adalah (justice) and to strengthen employee morale by creating a level ground for everyone to follow the same rules.A governance is a mechanism to increase trust where the significance and rewards attached to cooperative outcomes might induce the agent to act honestly and with principles (Sarker 1999b). Arrow (1974, 23) highlighted that "trust is an important lubricant of a social system.

Furthermore, Triyuwono (2004) interprets trust as a divine symbol in the context of Islamic banking business and accounting practices. The interpretation utilizes a symbolic interactionism that has been combined with a triangular concept of Islamic faith, knowledge and action. Trust is explained as the principles of Islamic banking and finance and the body appointed to ensure that the compliance is in place, and that the accounting practices in the financial institutions produce additional financial reports in implying its accountability towards its shareholders, stakeholders, society and God. It is reflected in the appointment of SSB, prohibition of riba', application of PLS instruments and payment of zakah (Triyuwono 2004; Karim 2001; Rosly 2005b). On the other hand, in accounting practices, trust is interpreted as accountability in the sense that the agent should be responsible to God, shareholders, stakeholders and society (Triyuwono 2004). Thus, although

there is complete trust, the Islamic banking system needs reliable accounting and a full exchange of information between the bank and the business (Lewis and Algaoud 2001). This implies additional reports in the Islamic banking financial statement. Furthermore, Triyuwono (2004) holds that following the acceptance of the trust, human beings should adhere to the guidance of God. This is because humans are accountable to Allah for their deeds in this world and they will be rewarded or punished based on their good or evil deeds, respectively (Chapra 2000).

This study also intended to investigate the current operational gaps faced by the banks while ensuring their operation with Sharia guidelines.

2.6.7 Attitude towards Islamic Branding

According to Fishbein and Ajzen (1975) attitude is defined as evaluative effect of individuals' negative or positive feelings in a specific behavior performing. Actually, attitude is related to behavioral intention of individuals considering the fact that they shape their intentions to do a specific behavior in the direction of which they have positive outcome (Tan and Teo, 2000). Likewise, the more recent definition of attitude refers to the degree of un-favorableness or favorableness of people feelings regarding a psychological topic(Ajzen and Fishbein, 2000).In many studies in numerous context the significant influence of attitude toward usage and adoption of new innovation, product or services has been pointed (Al-Somali et al., 2009,Taylor and Todd, 1995, Davis et al., 1989, Teo and Pok, 2003,Eri, 2004,Lu et al., 2003, Ramayah et al., 2005,Hung et al., 2003,Kim et al., 2009). Besides, Akurtan and Tezacan (2012) that attitude is the most notable predictor of adoption intention of mobile banking among its potential users. Moreover, in context of Islamic banking researches attitude has been modified (Amin et al., 2009, Amin et al., 2011, Taib et al., 2008).

This study tries to use Attitude in terms of customers' attitude towards Islamic Branding. The Islamic market is totally Sharia compliant; means a brand should fulfill all aspects of the brands for the Muslim consumers, because Muslim consumers consume those goods and services, which fulfill the Islamic laws and norms. The markets are open and the Muslim brands as halal must be introduced to capture the Muslim market and can use the Islamic ideology for accruing the market which company wants to do business in the Muslim Market must go through the Islamic laws and norms (Jumani& Siddiqui, 2012).Awareness of the customers regarding the Islamic banking is an important factor in setting the attitudes of the Muslim customers regarding their acceptance of the Islamic banking services.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

This part of the study attempts to explain the research methodology applied to obtain representative data from a sample of three commercial banks found in Addis Ababa. The research design, sampling design, sources of data, methods of data collection and data analysis method used pertinent to the study are presented in this section.

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3. Role of Research Methodology in Research

A methodology is used to provide a research framework that provides guidance regarding the all components of the investigation. This gives the researcher a frame work and guideline for organizing logistics and procedures to be followed. This makes the reader understand the research perspective and logic of the researcher. It provides a control for how to collect data and make a scientific inquiry (Creswell, 2003; Kumar,2005). The research methodology is a guide to context, explaining relationships, evaluating the information and its validity, and helping develop theories, strategies, or actions required to address the problem (Ritchie & Lewis, 2003; De Vos, Schurink&Strydom, 1998). The research methodology will help to show the link to the theoretical framework that informs this research**.**

3.1. The Research Design

Quantitative Research Method

As noted in Creswell (2009) in terms of research study there are three familiar types of research approaches to business and social science researches namely: quantitative, qualitative and mixed research approaches.

Quantitative research methods are research methods dealing with numbers and anything that is measurable in a systematic way of investigation of phenomena and their relationships. It is used to answer questions on relationships within measurable variables with an intention to explain, predict and control a phenomena (Leedy 1993).

An entire quantitative study usually ends with confirmation or disconfirmation of the hypothesis tested. Researchers using the quantitative method identify one or a few variables that they intend to use in their research work and proceed with data collection related to those variables.

Quantitative methods often deal with results computation and system analysis using a scientific approach. The objective of the quantitative method is to develop and employ models based on mathematical approach, hypotheses and theories pertaining to the nature of phenomenon. The process of measurement is the focus of quantitative method due to its connectivity between empirical observation and mathematical expression of quantitative relationships. This method is also known as iterative process where evidence is evaluated, and hypotheses and theories are refined with some technical advances, leveraging on statistical approach.

Quantitative method typically begins with data collection based on a hypothesis or theory and it is followed with application of descriptive or inferential statistics. Surveys and observations are widely used with statistical association.

3.2. Methods Adopted

Research designs are plans and the procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis (Creswell 2009, p. 3).

A. Descriptive Research

Quantitative research methods fall under the broad heading of descriptive research. This type of research corresponds to identifying the characteristics of an observed phenomenon, or exploring correlations between two or more entities.

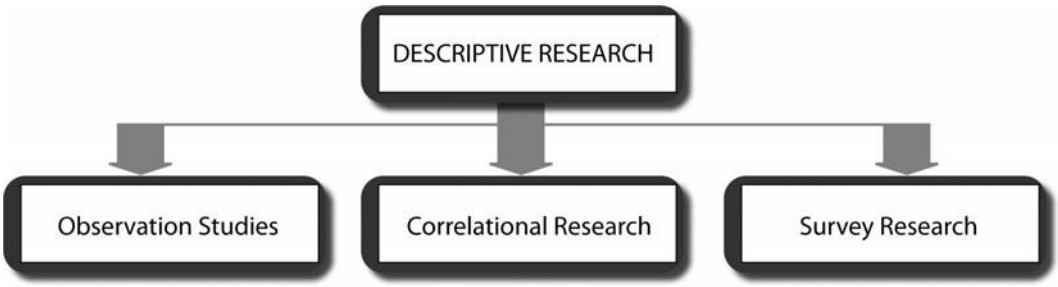

Figure 2: Types of descriptive research

B. Survey Research

Kerlinger (1973) defined survey research as a study on large and small populations by selecting samples chosen from the desired population and to discover relative incidence, distribution and interrelations.

The ultimate goal of survey research is to learn about a large population by surveying a sample of the population; thus we may also call it descriptive survey or normative survey. In this method, a researcher poses a series of questions to the respondents, summarizes their responses in percentages, frequency distribution and some other statistical approaches. Survey research typically employs face-to-face interviews, telephone interviews or the common approach using questionnaires.

There are two types of survey. Normally, the type of survey method used depends on the scope of the research work. If the research needs a pool of opinions and practices, a cross-sectional survey would be appropriate. On the other hand, if a researcher specifies the objective as to compare differences in opinion and practices over time, a longitudinal survey would be the ideal method.

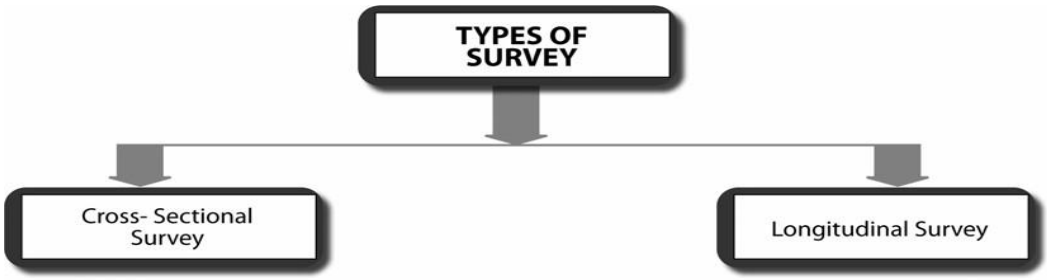

Figure 3: Types of survey

In cross-sectional survey, a researcher collects information from a sample drawn from population. It involves collecting data at one point of time. In this case, the data obtained was derived from a cross-section of the population at one point of time.

C. Quantitative Data Analysis

Data collected from questionnaires or other instruments in quantitative research methods have to be analyzed and interpreted. Generally, statistical procedures are quantitative data approaches. There are common statistical approaches and the researcher emphasized for quantitative data analysis. Keeping in view of the purpose of this study the researcher would be adopting quantitative approach

3.3. Source of Data

For the purpose of the stud primary data was used. The primary data source was IFB account holders of Commercial Bank of Ethiopia (CBE), Dashen and Abay banks in Addis Ababa city.

3.4. Sample Size and Sampling Techniques

3.4.1. Sampling Technique

Types of Sampling Methods

There are different Sampling Methods. In sampling methods, Probability and Non-Probability Sampling are the basic two categories. The Probability Sampling is again classified in to six classes that is:

1. Simple Random Sampling
2. Systematic Sampling
3. Stratified Sampling,
4. Clustered Sampling,
5. Area Sampling,
6. Multi-Phase and Multistage sampling.

The non-probability sampling is classified in to five classes.

1. Accidental Sampling
2. Convenient Sampling
3. Judgement Sampling
4. Purposive Sampling
5. Quota Sampling

From these categories, researcher found multistage sampling as an appropriate sampling method for the research.

In Multistage sampling, the process is carried out in multiple stages using small and further smaller sampling units at each stage. The research scope included overall interest free banking users across different regions of Ethiopia offered by 10 commercial banks through their separate windows. Hence it is very difficult to collect data from all 10 IFB window service users. Hence, the researcher found that this multistage sampling as the most suitable sampling method.

The researcher has divided the population in smaller sampling unit, that is IFB window service users found in Addis Ababa district and out of Addis Ababa district. Based on this division, the researcher uses purposive sampling method and select Addis Ababa district as sampling unit due to time, expertise and budget constraint to investigate the whole population.

In multistage sampling design, a sample of secondary unit is selected within each primary unit. In similar way, in this research the sample was in to two districts in the first stage. IFB offering banks located in Addis Ababa are further divided into three categories based on their entrance to offering of IFB windows service. These are pioneers, Middle entrants and late entrants. According to Addisfortue.net Narrated by Birhane Hailemariam, The Era of IFB lasts only for 6 years. The offering of IFB window service is made from 2013-2018. Within this period the number of commercial banks offering IFB window services reached 10 banks. Besides, the number of internal Sharia advisory boards of these IFB window service offering banks range from 5 to non-existence of the board. The following table shows name of IFB offering banks, the year they start the service and number of Internal sharia advisory board members.

Table 1 IFB offering banks and Sharia Advisory board members

S.N	Name of IFB offering bank	Year of starting IFB service offering	Number of internal sharia advisory board members
1	Oromia International Bank	2013	5 members
	Commercial bank of Ethiopia	2013	
	United bank	2014	1 member
	Cooperative bank of Oromia	2015	
	Wegagen bank	2015	
	Nib international bank	2015	
	Awash International bank	2016	
	Abay bank	2016	1 member
	Bank of Abssinya	2017	
	Dashen Bank	2018	5 members

Source; Addisfortune.net

But among these groups there is heterogeneity and due to this, the researcher applied third stage sampling techniques to address these three hetero sub samples. As a result, the researcher used

purposive sampling technique to select the target population based on their assignment of sharia advisory board and number of sharia advisory board members. Accordingly, the researcher selected three IFB offering commercial banks in accordance with their year of existence and assigning sharia advisory board. These are,

1. Commercial bank of Ethiopia
2. Abay bank
3. Dashen bank.

Commercial bank of Ethiopia was selected among the pioneers which has not internal advisory board. Abay bank was selected among the middle entrants having only one internal advisory board member and Dashen bank was selected for having 5 internal advisory board members.

This rationale for selection of target banks makes the study representative in terms of operational experience and effect of incorporation of Advisory board and number of the members towards acceptance of IFB in Ethiopia.

The target populations was the banks" IFB account holder customers of Commercial Bank of Ethiopia, Dashen and Abay banks. Customers were targeted so as to know their perceptions towards Acceptance of the interest free financial products and services; because they are the main stakeholders for which the service is to be adopted; therefore, IFB account holder of bank clients in Addis Ababa city would be considered as sample frame of current research.

3.4.2. Sample Size Calculations

According to Hair, F. et al. (1998) a sample size between 200 and 400 is usually acceptable as critical sample size for attitudes studies. As Kothari (2004) for finite population the formula for calculating the minimum sample size is

$$n = z^2.p(1-p).N / e^2 (N-1) + z^2.p(1-p)$$

where

n is sample size,

N is total population size,

p is estimated variability in the population,

z is standard error associated with chosen level of confidence and

e is the acceptable errors.

The sample size of IFB account holder customers is determined in accordance with the following assumptions: proportion (p) equals to 50%, this is the safest possible assumption, the confidence level of 95% which corresponds to Z -value of 1.96 and an error or precision (e) of 5% and N is 26,407. The total population size is 10,069 from 61 Commercial bank of Ethiopia branches, 5,169 from 51 Abay bank branches and 11,142 from 174 Dashen bank branches. Given the above assumption, the sample size is estimated by:

$n=Z^2*p(1-p) *N/e^2(N-1) +z^2*p(1-p)$

$=1.96^2*0.5(1-0.5) *26,407/ (0.05)^2(26,407-1) +1.96^2*0.05(1-0.5) =379.67$ which means 380 respondents.

The Sample size 380 means, the primary data should be collected from 380 respondents from selected three selected IFB service users of Addis Ababa district.

In the next stage, the total sample size Was divided into three clusters as per the ratio of the cluster population. Based on this ratio the data these IFB offering bank customers. From commercial bank of Ethiopia 145 respondents, from Abay bank 75 respondents and from Dashen bank 160 respondents. In this way the total data collection of 380 respondents Was targeted in this research.

3.5. Data Collection Methods

There are two kinds of data collection sources, primary and secondary sources. Therefore, in this study the primary data would be collected through close-ended structured questionnaire items through the adaptation and modification of instruments from previous studies in the area of adoption studies and usage of innovations would use to collect information about the importance of different factors that affect customers' acceptance while using the product and services from IFB offering banks.

The researcher would be designed questionnaire for IFB account holders using both English and Amharic language. For measuring this information, the Likert scale method was used to range of responses: strongly disagree, disagree, Neutral, Agree, and strongly agree, with a numeric value of 1-5, respectively. As Neuman (2003) explained, Likert-scale is used to ask many people the same questions and examining their answers research questions. So that the researcher would use cross sectional survey in which independent and dependent variables are measured at the same point in time using a single questionnaire (Anol Bhattacherjee, 2012).

3.6 Data Presentation and Analysis

According to Kothari, 2004 after the data collected it has to be presented and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan. Considering the study, the primary data that would be collected through questionnaire has been edited and coded and then it has been analyzed.

Descriptive analysis would use to describe demographic characterized of respondents and mean of variables. Correlation analysis also used to determine the relationship of variables before regression taken and then multiple linear regression analysis would be used to determine the potential connection between independent variables of this study and the dependent variable of study

(Customers 'acceptance). Accordingly, these multiple tests would be able to identify potential factors that have a significant impact on acceptance of Interest free financial product and services as a new innovation. The collected data were presented and analyzed using SPSS 20 software version.

3.7. Regression Model

As discussed in above conceptual framework is developed based on Modified Innovation Diffusion Theory (IDT). Based on the conceptual framework of the study, the following Regression model was developed. Thus, parameters for the following functional relationships are estimated using the Regression model. Regression as opposed to other techniques as it is widely accepted model in many of the studies carried in the innovative product adoption (Alireza et al., 2010 and Alenezi et al., 2010).

Regressing the dependent variable over independent variables help to know the impact of each independent variable on the dependent variable. Moreover, the significance of each of the independent variables will be determined based on their p-values. According to the coefficients of each of the independent variables, acceptance of customers will be determined as follows. Based on the above information, the Regression model will be:

ACC=f (RELAD, CLEX, COMP, TRU, ATTIB, PSQ)

$ACC=c+\beta_1 RELAD+\beta_2 CLEX+\beta_3 COMP+\beta_4 TRU+\beta 5ATTIB + \hat{u}$

Source: Developed from Conceptual model by the Researcher

Where:

ACCC= acceptance of use interest free banking,

c= the intercept value of the regression surface,

RELAD= perceived relative advantage,

CLEX= perceived complexity,

COMP= perceived compatibility,

TRU =Trust,

ATTIB =Attitude towards Islamic branding,

$\hat{u}$= Error

3.8. Validity and Reliability Test

Validity is the degree to which a measure accurately represents what it is supposed to. It is concerned with how well the concept is defined by the measure(s). On the other hand Reliability is concerned with the internal consistency of the items. Hair et al. (2006) defined reliability as the extents to which a variable or a set of variables is consistent in what it is extended to measure. The idea behind reliability is that any significant results must be more than a one-off finding and be inherently repeatable. According to George and Malley (2003), "Cronbach's alpha is used as only one criterion for judging instruments or scales. As the current study uses multiple items in all variables, internal consistency analysis was carried out through Cronbach's alpha reliability tests. Based on the results of the reliability analysis, one can conclude that the items are internal consistent. According to George and Malley (2003, cited in Matkar) Cronbach's alpha reliability coefficient ranging $0.8 \leq \alpha < 0.9$ is Good .To find the reliability of the empirical data, consistency analysis has been done using SPSS 20. Consistency analysis is used to find the internal consistency of the observed data, and ranges from 0 to 1. Although the instruments developed by the researcher to measure the hypothesized factors and IFB acceptance, has established good validity and reliability with " Cronbach's alpha coefficient 0.833

Scale: ALL VARIABLES

Reliability Statistics

Cronbach's Alpha	N of Items
.833	20

Source: SPSS output, 2019

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

The purpose of this chapter is to present finding which were collected from the actual questionnaire survey through the descriptive and statistical findings. Besides, the researcher proposed an official assessment of measures and also carried out the analysis to give the accurate answers for the research questions and hypotheses proposed. Each factor is measured by using their mean.

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4. Descriptive Analysis

4.1. Sample and Response Rate

The sample size of this study was 380, however, for contingency purpose, 400 questionnaires were distributed to the customers of the Commercial bank of Ethiopia, Abay Bank and Dashen Banks. Among these, 380 were returned. After checking the returned questionnaires, 380 questionnaires, which are 100% of the sample size, found to be appropriate.

4.2. Respondents' Demographic Characteristics

The personal profile of the respondents is analyzed as per Gender, Age, Educational Level, Occupation, Monthly Growth Income, Name of Bank Associated with, Affiliation years and Types of IFB account associated with. Descriptive statistics was performed on the demographic variables as a means of describing the respondents. Respondents were asked to give their personal information and the results were presented in the following tables 2.

Table 2: Respondents' Demographic Characteristics

Background	Distribution	Frequency	Percentage
Gender	Male	126	33.2
	Female	254	66.8
	Total	380	100.0
Age	Less than 30 years	162	42.6
	30-45 years	218	57.4
	Total	380	100.0
Background	Distribution	Frequency	Percentage
Educational Level	Secondary school	19	5.0
	Diploma & equivalent	19	5.0
	. BA/BSC	289	76.1
	Master Degree	53	13.9
	Total	380	100.0
Occupation	Government Sector	291	76.6
	Private sector	89	23.4
	Total	380	100.0
Monthly Growth Income	Birr 2,000 – Birr 4,999	19	5.0
	Birr 5,000 – Birr 7,999	19	5.0
	Above Birr 10,000	342	90.0
	Total	380	100.0
Name of Bank Associated with	Commercial Bank of Ethiopia	146	38.4
	Dashen Bank	163	42.9
	Abay Bank	71	18.7
	Total	380	100.0
Affiliation years	Less than 2 years	163	42.9
	2 – 5 years	127	33.4
	Above 5 years	90	23.7
Types of IFB account associated with	Wadiya Amana (saving account)	272	71.6
	Qard (current account)	90	23.7
	Murabaha (markup sales	18	4.7
	Total	380	100.0

Source: From survey 2019

As the above table 2 indicates that, From the total of valid responses, male customers constitute 254 (66.8%) of the respondents while female respondents constitute 126 (33.2%). Respondents below the age of 30-year accounts for 42.6% of the total respondents and the age group 30-45 which comprise 57.4% of valid responses.

The survey result shows that 76.1% of the respondents have first degree and 13.9% are Master holders. Only 5% of them have college diploma and others accounting 5% of them are Secondary school completed. The study also shows that 76.6% of the respondents are employed at government sector and the rest 23.4% of respondent customers are employed ad private sector

From the total of valid responses, 90% of the respondents' monthly gross income is above ETB 10,000. Only 5% of them get monthly gross income between ETB 5,000 and 7,000 and others accounting 5% of them of earn monthly gross income between ETB 2,000 and 4,999.

The survey result shows that 42.9% of the respondents are associated with Commercial Bank of Ethiopia CBE followed by 38.4% of respondents who are associated with Dashen Bank Sc. The rest 18.7% of them are associated with Abay Bank. The study also shows that 42.9% of the respondents had an experience of less than two years followed by 33.4% respondents who have been lasting as customer between 2 and 5 years. On the other hand, 23.7% of them have been lasting as customer above 5 years.

With regards to Account type associated, 71.6% of customers are Associated with Wadiya Amana (Saving) Account followed by 23.7% of them who are associated with Qard (Current) Account. Only 4.7% are associated with Murabaha (Markup Sales) Account. But None of them are associated with Murabah (Investment) Account and Istisna (Leasing) Account which are operating based on profit and loss sharing principle which is one of the peculiar features of Islamic financing.

4.3.Descriptive Analysis Acceptance

4.3.1 Acceptance of the Operation of Interest Free Banking Window Service

Table 3: I accept the operation of Interest free banking window service.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	37	9.7	9.7	9.7
	Neutral	123	32.4	32.4	42.1
	Agree	220	57.9	57.9	100.0
	Total	380	100.0	100.0	

Source: From survey 2019

As the above table 3 indicates, among 380 Respondents 57.89% (220) of the participants accept the operation of Interest free banking window services in Ethiopia.

4.3.2 IFB window Service's Economic Benefit with Respect to Conventional Banks

Table 4: I accept the IFB window service that guaranteed economic benefit than conventional banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	36	9.5	9.5	9.5
	Disagree	18	4.7	4.7	14.2
	Neutral	54	14.2	14.2	28.4
	Agree	91	23.9	23.9	52.4
	strongly agree	181	47.6	47.6	100.0
	Total	380	100.0	100.0	

Source: From survey 2019

According to Table 4, 71.58% of the respondents agreed that, Interest free banking window service in Ethiopia guaranteed economic benefit than conventional banks. While 28.42% of them do not agreed about its more economic benefit than conventional banks.

4.3.3. IFB window Service's Perceived Compatibility with Sharia-guidance

Table 5: I prefer IFB window service due to its compatibility with sharia guidance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	181	47.6	47.6	47.6
	Disagree	91	23.9	23.9	71.6
	Neutral	90	23.7	23.7	95.3
	Agree	18	4.7	4.7	100.0
	Total	380	100.0	100.0	

Source: From survey 2019

Among 380 Respondents almost all participants (95.26%) do not prefer Interest free banking window service due to its compatibility with Sharia guiding accept principle in Ethiopia. Only 4.74% of them prefer interest free banking window service due to its compatibility with sharia guiding principles.

4.3.4. IFB Window service's Perceived Complexity

Table 6: Due to use of Arabic terminology for its contracts, I don't prefer to use the IFB window service.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	92	24.2	24.2	24.2
	Disagree	90	23.7	23.7	47.9
	Neutral	36	9.5	9.5	57.4
	Agree	126	33.2	33.2	90.5
	strongly agree	36	9.5	9.5	100.0
	Total	380	100.0	100.0	

Source: From survey 2019

Among 380 Respondents most of the participants (42.63%) do not affect Interest free banking window preference due to the use of Arabic terminology for its contract in Ethiopia. Others not small in number (57.37%) of them don't prefer to use the Interest free banking window service Due to use of Arabic terminology for its contracts.

4.3.5. IFB window Service's Trust

Table 7: I trust the operation of IFB window as like as full pledge Islamic banks and it makes me to accept window service.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	91	23.9	23.9	23.9
	Neutral	73	19.2	19.2	43.2
	Agree	72	18.9	18.9	62.1
	strongly agree	144	37.9	37.9	100.0
	Total	380	100.0	100.0	

Source: From survey 2019

Based on Table 7, among 380 Respondents, 56.84 % of the respondents trust the operation of Interest free banking window service in Ethiopia is as like as the full pledge Islamic banks. While 43.16% of them do not trust the operation of Interest free banking window service in Ethiopia as like as full pledge Islamic Banking

4.3.6. IFB Window Service's use of Islamic Branding that Promote Islamic Values and Morals

Table 8: I accept IFB windows service due to its use of Islamic Branding that promote Islamic value and moral.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	37	9.7	9.7	9.7
	Disagree	91	23.9	23.9	33.7
	Neutral	90	23.7	23.7	57.4
	Agree	90	23.7	23.7	81.1
	strongly agree	72	18.9	18.9	100.0
	Total	380	100.0	100.0	

Source: From survey 2019

Among 380 Respondents, most of the participants (57.37%) accept Interest free banking window service in Ethiopia due to its use of Islamic branding that promotes Islamic values and moral. The remaining participants accounting large in number (42.63%), don't accept Interest free banking window service in Ethiopia due to its limitation in using Islamic branding which should promotes Islamic values and moral.

4.3.7. IFB window service's Acceptance against Affiliation years, Name of Bank Associated with and Account Type They are using.

Table 9: I accept the operation of IFB window service. * How Long You have been customer Crosstabulation

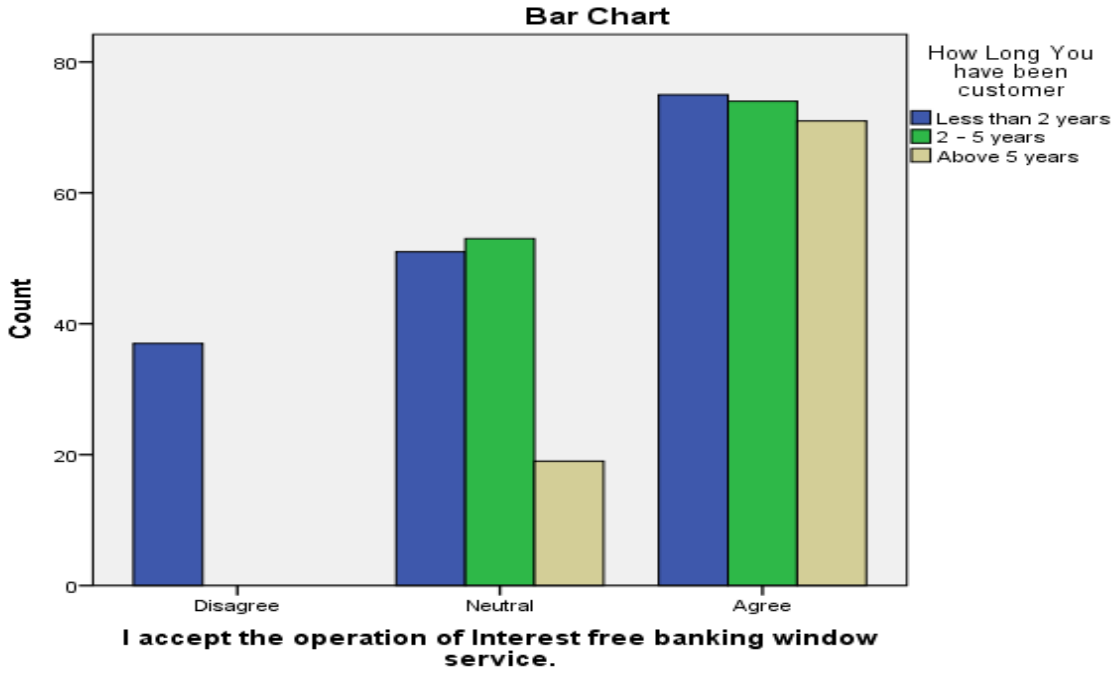
% of Total

		How Long You have been customer			Total
		Less than 2 years	2 – 5 years	Above 5 years	
I accept the operation of Interest free banking window service.	Disagree	9.7%			9.7%
	Neutral	13.4%	13.9%	5.0%	32.4%
	Agree	19.7%	19.5%	18.7%	57.9%
Total		42.9%	33.4%	23.7%	100.0%

Source: From survey 2019

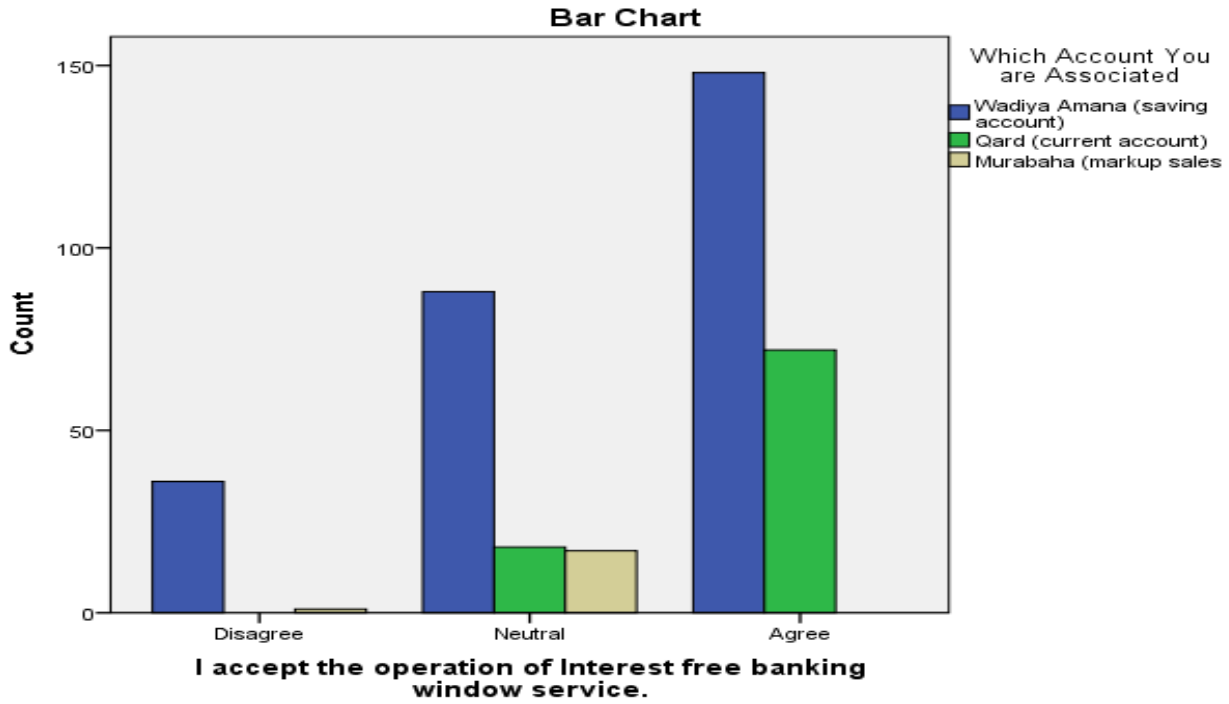
Based on the cross tabulation result depicted on Table 9 shown above and Bar charts shown below, among 220 (57.89%) customers who accept of Interest free banking window service, most of them 28.68 % are from Dashen Bank followed by o 19.47% of customers from CBE and 9.74% from Abay Bank. Besides, among these customers, 19.74% of them have less than 2 years of affiliation followed by 19.47% who are between 2 and 5 years of Affiliation. Only 18.95% of Accepted customers have greater than 5 years of affiliation with their Associated banks. On the other hand, among 220 (57.89%) customers who accept of Interest free banking window service, most of them 38.95 % use Wadiya Amana (saving account) and 18.95 % of them use Qard (current account). None of Murabaha (markup sales) account users are Accepted the operation of Interest free banking window service.

Figure 4: Acceptance and Year of Affiliation



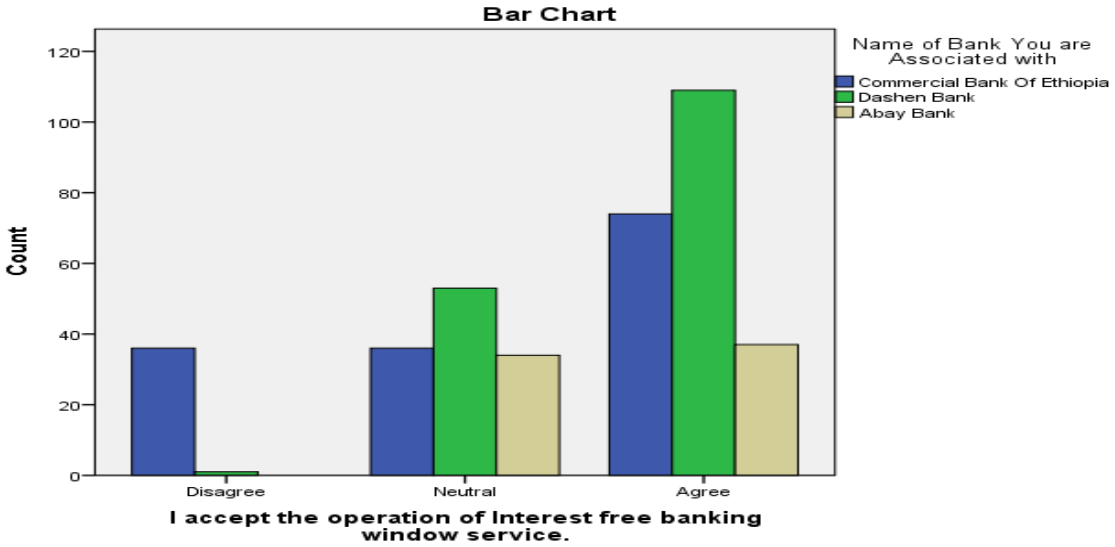
Source: From survey 2019

Figure 5: Acceptance and customers' Account type Associated



Source: From survey 2019

Figure 6: Acceptance and Name of Bank customers Associated with



Source: From survey 2019

4.3.8. Selected Demographic Variables and Acceptance of IFB Window Service

A. Name of Bank Associated with

This study found that, Customers who use Dashen Bank which has appointed 5 sharia board members gets more acceptance than banks with less sharia advisory board or none of this advisory board. This means IFB is likely to be more accepted in Ethiopia if it appointed sharia advisory board with at least 5 members who is responsible for guarantying the operation of the bank is in line with sharia guideline and principles.

B. Years of affiliation

This study found that, while Customers with little banking experience and those with more years of banking experience did differ on their acceptance of IFB window experience. Customers those with little banking experience were more willing to accept IFB than those with more years of banking experience. This means IFB is likely to be more welcome by customers with little banking experience than those with more years of banking experience in Ethiopia.

C. Account type the customer is associated with

Based on this finding, Most of Wadiya Amana (saving account) users customers accept the operation of Interest free banking window service, followed by Qard (current account) users. None of Murabaha (markup sales) account users are Accepted the operation of Interest free banking window service. This indicates that, the IFB operation of Ethiopia has its own limitation of investment banking which is considered as a core competence for Islamic banking

These all the above findings generally indicate that, bankers' demography has influence on their Acceptance of the operation of IFB window service in Ethiopia. These findings are consistent with the general financial service literature and IB literature about background characteristics could significantly influence their bank selection (e.g., Abou-Youssef et al.,2015; Haider, Changchun, Akram & Hussain 2018) and bank switching (Laksamana, Wong, Kingshott, Muchtar,2013).

4.4. Inferential Analyses

4.4.1. Multiple Linear Regression Analysis

4.4.2. Diagnostic checking

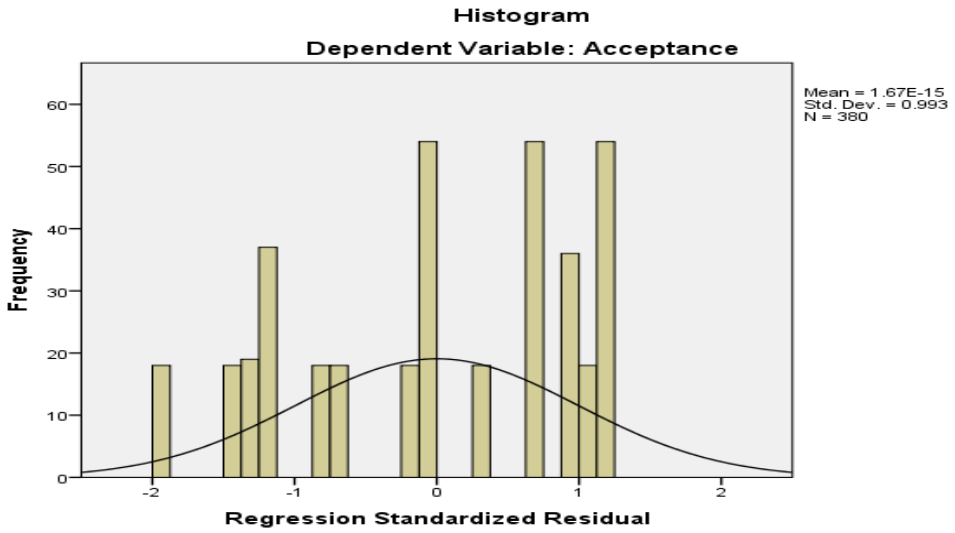
Before proceeding to interpreting the regression model, several diagnostic tests must be conducted to ensure no violation of assumptions that might lead to biased results in hypothesis testing. The diagnostic checking are; normality test, heteroskedasticity test, autocorrelation test and multicollinearity checking.

4.4.3. Normality Test

Normality test is used to investigate whether the error term is normally distributed. Normality test includes skewness and kurtosis of residual distribution. Skewness measures whether the distribution is symmetric and kurtosis measures whether the distribution is peaked or flatter as compared to a

normal distribution. If skewness and kurtosis–3 are close to zero, the distribution is approximately normal distributed (Park, 2008).

Figure 7: Histogram



Source: From survey 2019

As it is graphically shown, the residuals are approximately normal distributed. This study involves a relatively large sample (380 customers) and therefore, the Central Limit Theorem could be applied and hence there is no question on normality of the data and outlier as the result of large samples.

4.4.4. Multicollinearity checking

Table 10: Collinearity table

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	RELAD	.527	1.896
	COMP	.375	2.665
	CLEX	.864	1.158
	TRU	.350	2.859
	ATTIB	.384	2.602

Source: From survey 2019

Multicollinearity problem happens when independent variables are highly correlated to each other. Rule of thumb in detecting multicollinearity problem is, when VIF of a variable exceeds 10, it is said that the variable is highly collinear. From Table 10, all independent variables have VIF of less than 10, hence there is no multicollinearity problem in the model.

4.4.5. Autocorrelation Test

Table 11: Auxiliary model summary of residual squared

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.749[a]	.560	.554	.20958	1.761

a. Predictors: (Constant), ATTIB, CLEX, RELAD, COMP, TRU

b. Dependent Variable: Acceptance

Source: From survey 2019

According to Andy (2009) the acceptable Durbin – Watson range is between 1.5 and 2.5. In this analysis Durbin – Watson values are ranges from 1.724 to 1.781, which are between the acceptable ranges, show that there were no auto correlation problems in the data used in this research.

4.5. Hypothesis Testing

4.5.1. Overall F-test

H0: There is no significant effect of all independent variables on IFB window banking Service acceptance level of individual consumer in Ethiopia.

H1: There is significant effect of all independent variables IFB window banking Service acceptance level of individual consumer in Ethiopia.

Overall F-test is to test the significance of the Multiple Linear Regression. By referring back to ANOVA Table 11, the p-value = 0.000, less than significant level of 0.01, rejecting the null hypothesis. This means the probability of variation in the dependent variable to occur by chance (not to be affected by the explained independent variables) is 0.000. It is concluded that the model is significant at 0.01 significant level and all the independent variables have effects on acceptance level.

4.5.2. T-test Hypothesis 1

T-test is to test the effect on individual variable on dependent variable. This can be achieved by comparing the p-values of the independent variables to significant level (refer to Table 11).

H_1 Perceived relative advantage have influence on acceptance of IFB

Perceived Relative advantage has p-value = 0.000 (less than significant level of 0.01), hence rejecting the null hypothesis. As it is shown from the result, the beta coefficient is positive = 0.174, thus it is concluded that Perceived Relative advantage has significant positive effect on IFB window operation acceptance level of individual consumers Ethiopia at 0.01 significant level. This result is in line with those of Taylor and Todd, 1995b, Tan and Teo, 2000, Teo and Pok, 2003, Shih and Fang, 2004, Nor, 2005, as well as Püschel, 2010.

4.5.3. T-test Hypothesis 2

H_2 Perceived Complexity has influence on acceptance of IFB

Perceived Relative Complexity (Using Arabic Terminologies) has p-value = 0.000 (less than significant level of 0.01), hence rejecting the null hypothesis. As it is shown from the result, the beta coefficient is positive =0 .136, thus it is concluded that Perceived Relative Complexity (Using Arabic Terminologies) has significant positive effect on IFB window operation acceptance level of individual consumers Ethiopia at 0.01 significant level. The result shows as perceived complexity

positively influences IFB window operation acceptance level of individual consumers Ethiopia. This contradicts to the findings of Tan and Teo, 2000, while it is similar with the findings of Fisher and Chu, 2009, Shih and Fang, 2004, Beiginia, 2011, as well as Taylor and Todd, 1995b.

4.5.4. T-test Hypothesis 3

H_3 Perceived compatibility has influence on acceptance of IFB

Perceived Compatibility has p-value = 0.108 (greater than 0.01 significant level), hence failed to reject the null hypothesis. Thus, it is concluded that Perceived Compatibility has insignificant effect on IFB window operation acceptance level of individual consumers Ethiopia at 0.01 significant level. Hence, the Perceived compatibility of using Interest free banking positively significantly affect IFB window operation acceptance level of individual consumers Ethiopia. This is in accordance with the findings of Tan and Teo, 2000, Fisher and Chu, 2009, Nor, 2005, Püschel, 2010, and To, etal. 2008. Nevertheless, it contradicts with the findings of Teo and Pok, 2003, Shih and Fang, 2004, and Beiginia, 2011.

4.5.5. T-test Hypothesis 4

H_4 Trust has influence on acceptance of IFB

Based on the p-value (0.000), Perceived Trust was found to have a significant positive effect on acceptance of IFB at 1% significance level. Therefore, the null hypothesis which says Trust does not have influence on acceptance of IFB is rejected and the alternative hypothesis failed to reject.

Trust in operation of IFB banking service in Ethiopia positively affects the Acceptance level significantly. This is consistent with findings from Palvia, (2009) which indicates trust has a positive significant effect on customers‟ attitude to use innovation and Holsapple and Sasidharan, 2005 trust is positively influencing consumer behavior and it determines the success of technologies adoption. While, contradict with the findings from Debebe Alemu (2015) Sharofiddin& Bin-

Yousuff, 2013 that conclude as trust have negative significant relationship with the adoption of banking product and services

4.5.6. T-test Hypothesis 5

H_5 Attitude towards Islamic Branding has influence on acceptance of IFB

Based on the P-value (0.000), Attitude towards Islamic Branding was found to have a significant negative effect on acceptance of IFB at 1% significance level. Therefore, the null hypothesis which says Attitude towards Islamic Branding does not have influence on acceptance of IFB is rejected and the alternative hypothesis failed to reject. Hence, Attitude towards use of IFB with existing brand (Use of Non-Islamic Branding) negatively affect the acceptance level of IFB windows operation in Ethiopia.

In summary, five variables are significantly influencing the acceptance level of IFB windows operation in Ethiopia, which are considered initially. The beta values of variables shown above Table 4.6 indicate that all the independent variables have positive impact on the dependent variable, while, Use of Islamic Branding has negative influence.

4.5.7. Coefficient of Determination (R^2)

Table 12: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.749[a]	.560	.554	.20958	1.761

a. Predictors: (Constant), ATTIB, CLEX, RELAD, COMP, TRU

b. Dependent Variable: Acceptance

Source: Developed for the research

Under this regression equation, it illustrates the relationship between the Perceived Relative Advantage (Economic Benefit), Perceived Compatibility (Use of Sharia Principle), Perceived Complexity (Use of Arabic Terminology), Trust and Attitude towards use of Islamic Branding in Islamic banking acceptance level.

Based on the Table 12, all the five independent variables are significantly correlated with the dependent variable, the acceptance level because the correlation, R, is 0.749.

From the analysis, the coefficient of determination, R^2, is 0.560 for the examined regression model. It shows that 56 % of the total variations in acceptance level can be explained by total variations in all independent variables. In contrast, there is a 44 % show that the variation of acceptance level could not be presented by the equation. This can be explained that there are other additional variables that also important in interpreting the acceptance level.

4.5.8. Adjusted Coefficient of Determination (Adjusted R^2)

The adjusted R^2 will give the result more accurate and it is adjusted according to the number of independent variables in the model. In addition, the adjusted R^2 avoid overestimating by adding an independent variable into the multiple regression models. Referring to the Table 12, it shows that the adjusted R^2 is 54.4%, indicates that, after considering the degree of freedom, there are 54.4 % of the variation in predicted acceptance level can be explained by the variation in Perceived Relative Advantage (Economic Benefit), Perceived Compatibility (Use of Sharia Principle), Perceived Complexity (Use of Arabic Terminology), Trust and Attitude towards use of Islamic Branding.

Table 13: ANOVA table for multiple linear regression

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.938	5	4.188	95.343	.000[b]
	Residual	16.427	374	.044		
	Total	37.365	379			

a. Dependent Variable: Acceptance

b. Predictors: (Constant), ATTIB, CLEX, RELAD, COMP, TRU

Source: Developed for the research

In the ANOVA Table 4.18, it shows that the F value of 95.343 is significant at p-value= 0.000 which is less than 0.01 significant level ($p < 0.01$). In overall, the regression model with those five independent variables of Perceived Relative Advantage (Economic Benefit), Perceived Compatibility (Use of Sharia Principle), Perceived Complexity (Use of Arabic Terminology), Trust and Attitude towards use of Islamic Branding are suitable in explaining the dependent variable in the model, the acceptance level.

Thus, the regression equation can be written as follows:

$\hat{Y}$ (Acceptance) = 2.598 + 0.174 (Perceived Relative Advantage) + 0.058 (Perceived Compatibility) + 0 .136 (Perceived Complexity) + 0.246 (Trust) - 0.125 (Attitude towards Non-Islamic Branding).

4.6. Multiple Linear Regression Model

The elements of independent variables are the factors influence the dependent variables. This can be determined by the following regression model as below: -

$\hat{Y} = c + \hat{\beta}_1 X1 + \hat{\beta}_2 X2 + \hat{\beta}_3 X3 + \hat{\beta}_4 X + \hat{\beta}_5 X5 + \hat{u}$

Where

$\hat{Y}$ = Acceptance

c = Constant

X1 = Perceived relative advantage

X2 = Perceived Complexity

X_3 = Perceived Compatibility

X4= Trust

X5 = Attitude towards Islamic Branding

$\hat{u}$ = Residual

(where *i*= 1, 2, 3) = Estimated coefficient of X*i* (where = 1, 2, 3)

Table 14: Coefficients table

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.598	.165		15.782	.000
	RELAD	.174	.035	.237	5.013	.000
	COMP	.058	.036	.090	1.612	.108
	CLEX	.136	.025	.202	5.481	.000
	TRU	.246	.022	.651	11.225	.000
	ATTIB	-.125	.028	-.245	-4.430	.000

Dependent Variable: Acceptance

Source: From survey 2019

Referring to the Table 4.16, the equation can be written as follow:

$\hat{Y}$ (Acceptance) = 2.598 + 0.174 (Perceived Relative Advantage) + 0.058 (Perceived Compatibility) + 0 .136 (Perceived Complexity) + 0.246 (Trust) - 0.125 (Attitude towards Non-Islamic Branding).

The interpretation of constant term is usually not meaningful. It merely indicates that even there is zero units for Perceived Relative Advantage, Perceived Compatibility, Perceived Complexity, Trust as well as Attitude towards to use Non-Islamic Branding, the acceptance level of IFB window Service in Ethiopia will still be 2.598 units.

The degree to which an innovation or products is perceived to be better than the substituted idea or innovation is known as **relative advantage** of new products or service (Rogers, 2003). Rogers (1995, 2003) have indicated that relative advantage can be explained as economic profitability, social prestige, and/or other potential benefits that possible user would receive by applying the current innovation

As shown on the Coefficients table above, (Table 4.16); Perceived Relative advantage has the significant positive influence towards acceptance level since **p-value = 0.000** (less than 0.01 significant level). $\hat{\beta}_1$ = 0.174, this means, for every one unit increases in Perceived Relative advantage, the acceptance level of IFB window Service in Ethiopia will increase by 0.174 units, holding other factors constant.

This indicates that, IFB window service is perceived to be better than the substituted service of conventional banks who are operating on Interest (Riba) base, which is totally perceived as sinful to get any unjustifiable increase of capital, whether in loans or sales. On the other hand, due to the profit and loss sharing aspects of Islamic finance techniques, it can also perceive as a system that guaranty economic profitability by aiding poor entrepreneurs to gain access to funding to set up

their own businesses, without providing the necessary collateral that may be requested in the conventional banking market.

Compatibility refers to the degree to which an innovation, idea or product is known to be consistent with past related experience, current values and different needs of potential adopters (Rogers, 2003). Rogers believed that individuals would be more likely to adopt a new idea or innovation when this innovation is compatible with them.

Anuar et al., (2012b) argued that an innovation or product that seems to be incompatible with social system norms as well as values would not have the chance to be accepted and consequently adopted by potential customers as fast as product that is compatible with current standards and consumer values.

Based on the result depicted above, Perceived Compatibility, it shows insignificant positive influence towards acceptance level. The results show that p-value = 0.108 (greater than 0.01 significant level). Thus, for increasing the acceptance level of IFB window Service in Ethiopia, Perceived Compatibility has no effect, holding other factors constant. This indicates that, Islamic banking institutions should not emphasis and depend on religious aspect to attract new customers. They need to take these factors in Account when developing their sharia compliant products and services to ensure the success of their Islamic Banking products and services by enhancing Accessibility, profitability and Service quality.

Rogers (2003) defined **complexity** as the extent to which an innovation is considered by the users as difficult to understand and use.

Haronand Azmi (2009) identified that Arabic terminologies use by the Islamic banks led to the customers' perception of the products as complex and hence affected their usage.

Based on this research, Perceived Relative Complexity (Using Arabic Terminologies) has the significant positive influence towards acceptance level since p-value = 0.000 (less than 0.01 significant level). β_3 = .136, this means that for every one unit increases in Perceived Relative Complexity (Use of Arabic Terminology), the acceptance level of IFB window Service in Ethiopia will increase by .136 units, holding other factors constant. This indicates that, use of Arabic terminologies by the Islamic banks led to enhance the understanding of customers to use and accept it with reference to the rules and practices of Fiqh Muamalat which is written in Arabic and derived from the Holy Quran. In relation with the use of Arabic Terminology, (Thambiah et al., 2011) observed that raising the level of customers' understanding could lower their perceptions on the complexity of the products and services.

The operation of IFB windows should be **Trustful** and Sharia based service to be recognized as a predictable as well as reliable financial service that do not have any harmful consequences for its potential users. Islamic banking business is not regarded as a worldly affair, but rather, it is a form of worship that includes economic dealings, preserving the relationship with society and environment and fulfilling obligations to God (Triyuwono 2004).

According to the regression output, Trust has the significant positive influence towards acceptance level since p-value = 0.000 (less than 0.01 significant level). β_4 = .246, this means that for every one unit increases in Trust, the acceptance level of IFB window Service in Ethiopia will increase by .246 units, holding other factors constant. It manifests that, customers want to show their awareness of the difference between the sacred and profane aspects when carrying out their economic activities due to the fact that, Islamic bank is not only a firm but also a moral trustee of the depositors whose trust is given to banking firms. As a result, Islamic banks needs to guarantee that all aspects of the operation, management and products and services are following Sharia and needs

to convince to penitential customers and retain the existing users to build trust on them. This finding is inline with Arrow (1974, 23), Triyuwono (2004), (Triyuwono 2004; Karim 2001; Rosly 2005b), (Lewis and Algaoud 2001).

According to Fishbein and Ajzen (1975) attitude is defined as evaluative effect of individuals' negative or positive feelings in a specific behavior performing. Attitude is related to behavioral intention of individuals considering the fact that they shape their intentions to do a specific behavior in the direction of which they have positive outcome (Tan and Teo, 2000).

Lastly, the result shows that Attitude towards use of Islamic Branding also has significant negative influence towards acceptance level since p-value = 0.000 (less than 0.01 significant level). $\hat{\beta}5 = -.125$, shows that for every one unit increases in using Islamic branding that promote Islamic Values and norms, the acceptance level of IFB window Service in Ethiopia will decreased by 0.125 units, holding other factors constant. This indicates that, customers need their market to be totally Sharia compliant derived from Islamic Ideologies; meaning they want a brand that should fulfill all aspects Islamic laws and norms and must promote goods and services as halal. The possible reason for this significant negative influence my resulting from the use of existing conventional banking logos and brands that do not promote Islamic Values and norms.

CHAPTER FIVE: CONCLUSIONS AND IMPLICATIONS OF RESULTS

In this chapter the summary of major findings, conclusion, recommendation, limitations, and finally suggestions for future research was presented and discussed.

5.1. Summary of Major Findings

The main objective of the study is to identify potential determinant factors affecting customers to accept Interest Free Banking-IFB in Ethiopia. To trace such objectives Multiple Stage sampling were used, 380 observations were comprised through purposive sampling procedure and to identify the variables which are "determinant factors affecting customers to accept Interest Free Banking-IFB" through Descriptive Analysis, Multiple regressions and one sample t-test. Decomposed Innovation Diffusion Theory is chosen as a basis for this study because, the models have been successfully used in several previous researches related to retail bank customers.

Based on the study employed descriptive and inferential analysis, the major findings of the study are summarized as follows:

- Among 380 Respondents 57.89% (220) of the participants accept the operation of Interest free banking window services in Ethiopia.
- 71.58% of the respondents agreed that, Interest free banking window service in Ethiopia guaranteed economic benefit than conventional banks.
- Among 380 Respondents almost all participants (95.26%) do not prefer Interest free banking window service due to its compatibility with Sharia guiding principles to accept the operation of Interest free banking window services in Ethiopia

- Most of the participants (57.37%), do not affect Interest free banking window preference due to the use of Arabic terminology for its contract in Ethiopia.
- 56.84 % of the respondents, trust the operation of Interest free banking window service in Ethiopia is as like as the full pledge Islamic banks.
- Among 380 Respondents, most of the participants (57.37%) accept Interest free banking window service in Ethiopia due to its use of Islamic branding that promotes Islamic values and moral.
- Among 220 (57.89%) customers who accept of Interest free banking window service, most of them 28.68 % are from Dashen Bank followed by o 19.47% of customers from CBE and 9.74% from Abay Bank
- Among these Accepted customers, 19.74% of them have less than 2 years of affiliation followed by 19.47% who are between 2 and 5 years of Affiliation. Only 18.95% of Accepted customers have greater than 5 years of affiliation with their Associated banks.
- Among 220 (57.89%) customers who accept of Interest free banking window service, most of them 38.95 % use Wadiya Amana (saving account) and 18.95 % of them use Qard (current account).
- None of Murabaha (markup sales) account users are Accepted the operation of Interest free banking window service.
- Perceived relative advantage, perceived compatibility, perceived complexity, Trust and Attitude towards using Islamic Branding have a significant positive impact on the customers " Acceptance on the operation of Interest free banking window service in Ethiopia".
- Trust and perceived relative advantages are the mainly factors influencing customers to Acceptance on the operation of Interest free banking window service in Ethiopia".

- The results of the parameter estimate of customers' Acceptance on the operation of Interest free banking window service in Ethiopia" revealed the following major findings:
  - Every one unit increases in Perceived Relative advantage, the acceptance level of IFB window Service in Ethiopia will increase by 0.174 units, holding other factors constant.
  - For increasing the acceptance level of IFB window Service in Ethiopia, Perceived Compatibility (following Sharia principle) has no effect, holding other factors constant.
  - For every one unit increases in Perceived Relative Complexity (Use of Arabic Terminology), the acceptance level of IFB window Service in Ethiopia will increase by .136 units, holding other factors constant.
  - For every one unit increases in Trust, the acceptance level of IFB window Service in Ethiopia will increase by .246 units, holding other factors constant.
  - For every one unit increases in using Islamic branding that promote Islamic Values and norms, the acceptance level of IFB window Service in Ethiopia will decreased by 0.125 units, holding other factors constant

5.2. Implications of the Study

5.2.1. Managerial Implication of the Study

The current study examines the determinant factors towards Acceptance of Interest free bankingby focusing on the IFB account holder in commercial bank of Ethiopia, Dashen Bank Sc and Abay Bank Sc. Thus, it gives retrospection for the practitioner and stakeholders on the Commercial bank of Ethiopia, Dashen Bank Sc and Abay Bank Sc account holders towards accepting Interest free banking window service and also their decision to utilize the Interest free banking product. Thus, the present study will benefit those who want to establish Interest free bank or to open Interest free window.

The overall results of the present study suggest that trust and perceived relative advantage contribute towards Accepting IFB window service to use Interest free bank products. Thus, the result connotations could be served as a reference to the Islamic bankers to have clues on how Ethiopian consumers respond to Islamic banking currently. By understanding the trend of consumer preference, Islamic bankers can better serve the customers as such improve product innovation and enhance consumer confidence towards Islamic banking, besides think of some approaches to expand non-Muslim customer base, which should subsequently allow them to formulate and develop policies and regulations to make an adjustment to the Interest free banking industry in Ethiopia.

Islamic banks must provide their employees intensive professional training so as to enable them to deliver efficient services to the customers to enhance “word of mouth” among people. Incentives in the form of free registration and discount on Islamic banking transactions should be offered to the non-Muslim as well as Muslims. Higher rewards for frequent usage of Islamic banking services should also be offered to attract non-Muslims toward Islamic banks.

5.2.2. Theoretical Implications

The findings of the current study have significant contributions that can be categorized under contribution to the body of knowledge in that the study explored potential determinate factors affecting acceptance of the Interest free banking services by investigating the personal level acceptance level of Interest free banking in another context. Thus, this study would extend further the current knowledge of Interest free banking products and services and their peculiar features, mode of financing and the central aim of Islamic banking in financial and banking organizations in developing countries generally and Ethiopia in particular. Hence the study filled this gap in the literature. Furthermore, the study extends and tests the Decomposed Innovation Diffusion Theory in another context and another area i.e. Interest free banking usage.

5.3. Suggestion for Future Study

To overcome the limitations to the study, this research suggests the need for further investigation. In addition, other variables and Theory should be added as independent variable or mediating/moderating variables.

Furthermore, future research should consider replicating this study in other institutions, business unit, cultures, states, regions and country. The future research can focus on measuring the satisfaction level of Islamic banking customers in Ethiopia in order to compare consumer satisfaction levels between conventional banking and Islamic banking.

Therefore, future research should be conducted on large scale by considering more on conventional bank customers and rural areas dual banking system as well as full pledge Islamic Bank Branches.

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Annexes

```
REGRESSION
  /DESCRIPTIVES MEAN STDDEV CORR SIG N
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS CI(95) R ANOVA COLLIN TOL ZPP
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT Acceptance
  /METHOD=ENTER RELAD COMP CLEX TRU ATTIB
  /SCATTERPLOT=(*ZRESID ,*ZPRED)
  /RESIDUALS DURBIN HISTOGRAM(ZRESID) NORMPROB(ZRESID)
  /SAVE COOK ZRESID.
```

Regression

Notes

Output Created		26-DEC-2020 23:01:50
Comments		
Input	Data	C:\Users\Tes\Desktop\Islamic Bank Acceptance\Determinants of IFB Acceptance.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	380
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.

Syntax		REGRESSION /DESCRIPTIVES MEAN STDDEV CORR SIG N /MISSING LISTWISE /STATISTICS COEFF OUTS CI(95) R ANOVA COLLIN TOL ZPP /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT Acceptance /METHOD=ENTER RELAD COMP CLEX TRU ATTIB /SCATTERPLOT=(*ZRESID ,*ZPRED) /RESIDUALS DURBIN HISTOGRAM(ZRESID) NORMPROB(ZRESID) /SAVE COOK ZRESID.
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	Elapsed Time	00:00:00.47
	Memory Required	3428 bytes
	Additional Memory Required for Residual Plots	880 bytes
Variables Created or Modified	ZRE_1	Standardized Residual
	COO_1	Cook's Distance

```
[DataSet1] C:\Users\Tes\Desktop\Islamic Bank Acceptance\Determinants of IFB
Acceptance.sav
```

Descriptive Statistics			
	Mean	Std. Deviation	N
Acceptance	4.1638	.31399	380
RELAD	3.60	.427	380
COMP	3.61	.491	380
CLEX	2.66	.468	380
TRU	3.21	.830	380
ATTIB	3.33	.614	380

Correlations

		Acceptance	RELAD	COMP	CLEX	TRU	ATTIB
Pearson Correlation	Acceptance	1.000	.535	.304	.145	.667	.233
	RELAD	.535	1.000	.146	-.103	.607	.362
	COMP	.304	.146	1.000	-.212	.608	.709
	CLEX	.145	-.103	-.212	1.000	-.155	-.358
	TRU	.667	.607	.608	-.155	1.000	.616
	ATTIB	.233	.362	.709	-.358	.616	1.000
Sig. (1-tailed)	Acceptance	.	.000	.000	.002	.000	.000
	RELAD	.000	.	.002	.022	.000	.000
	COMP	.000	.002	.	.000	.000	.000
	CLEX	.002	.022	.000	.	.001	.000
	TRU	.000	.000	.000	.001	.	.000
	ATTIB	.000	.000	.000	.000	.000	.
N	Acceptance	380	380	380	380	380	380
	RELAD	380	380	380	380	380	380
	COMP	380	380	380	380	380	380
	CLEX	380	380	380	380	380	380
	TRU	380	380	380	380	380	380
	ATTIB	380	380	380	380	380	380

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	2.598	.165		15.782	.000	2.274	2.922					
	RELAD	.174	.035	.237	5.013	.000	.106	.242	.535	.251	.172	.527	1.896
	COMP	.058	.036	.090	1.612	.108	-.013	.128	.304	.083	.055	.375	2.665
	CLEX	.136	.025	.202	5.481	.000	.087	.184	.145	.273	.188	.864	1.158
	TRU	.246	.022	.651	11.225	.000	.203	.289	.667	.502	.385	.350	2.859
	ATTIB	-.125	.028	-.245	-4.430	.000	-.181	-.070	.233	-.223	-.152	.384	2.602

a. Dependent Variable: Acceptance

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	ATTIB, CLEX, RELAD, COMP, TRU[b]	.	Enter

a. Dependent Variable: Acceptance

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.749[a]	.560	.554	.20958	1.761

a. Predictors: (Constant), ATTIB, CLEX, RELAD, COMP, TRU

b. Dependent Variable: Acceptance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.938	5	4.188	95.343	.000[b]
	Residual	16.427	374	.044		
	Total	37.365	379			

a. Dependent Variable: Acceptance

b. Predictors: (Constant), ATTIB, CLEX, RELAD, COMP, TRU

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions					
				(Constant)	RELAD	COMP	CLEX	TRU	ATTIB
1	1	5.891	1.000	.00	.00	.00	.00	.00	.00
	2	.063	9.682	.00	.00	.00	.21	.11	.02
	3	.023	16.003	.01	.01	.04	.10	.42	.15
	4	.013	21.058	.03	.32	.08	.28	.06	.01
	5	.007	28.971	.08	.00	.33	.32	.01	.78
	6	.002	48.828	.88	.67	.55	.09	.41	.04

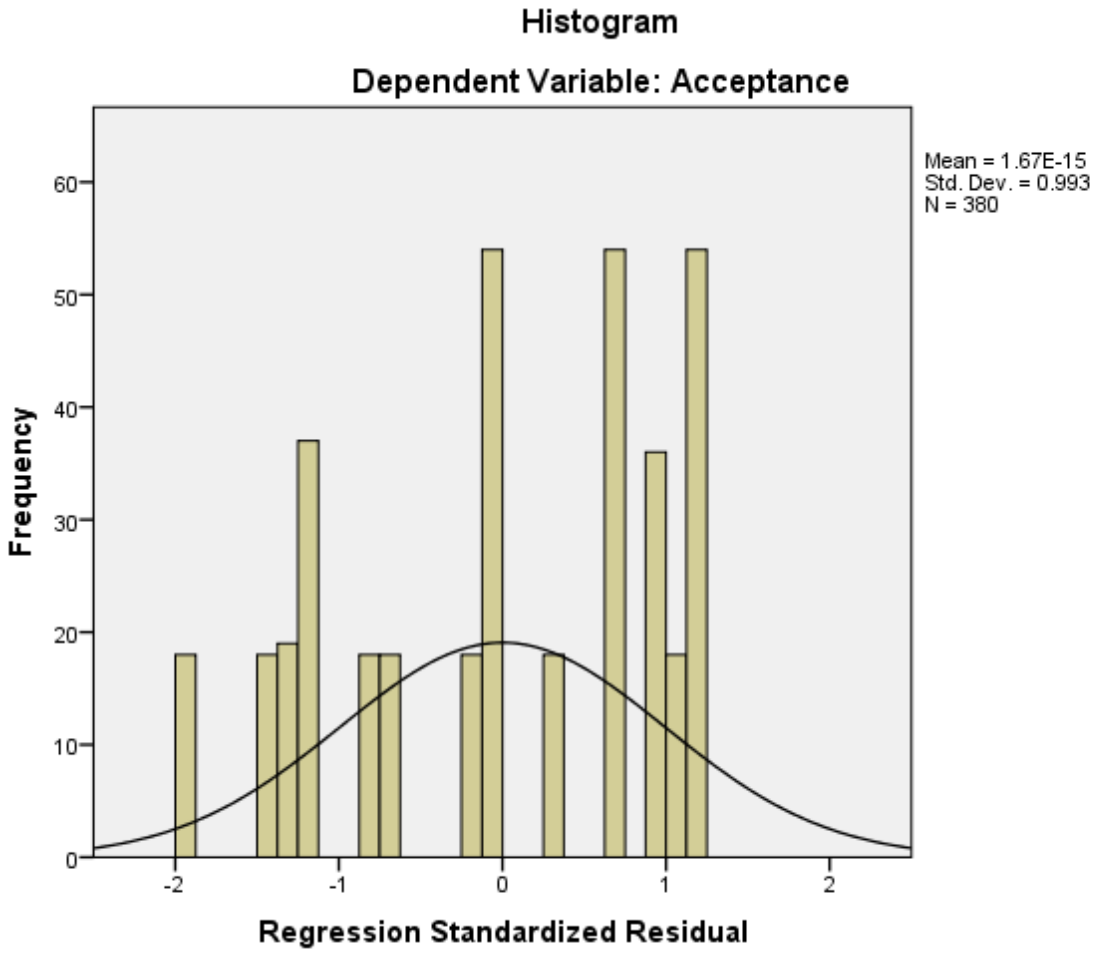
a. Dependent Variable: Acceptance

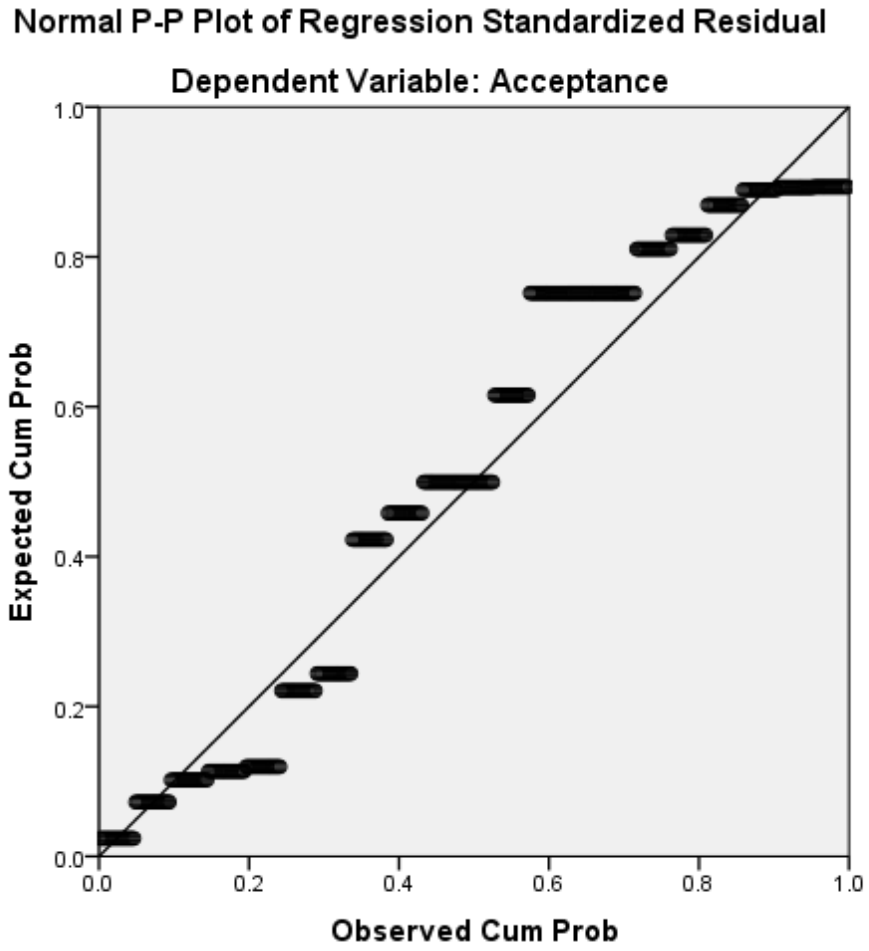
Residuals Statistics[a]

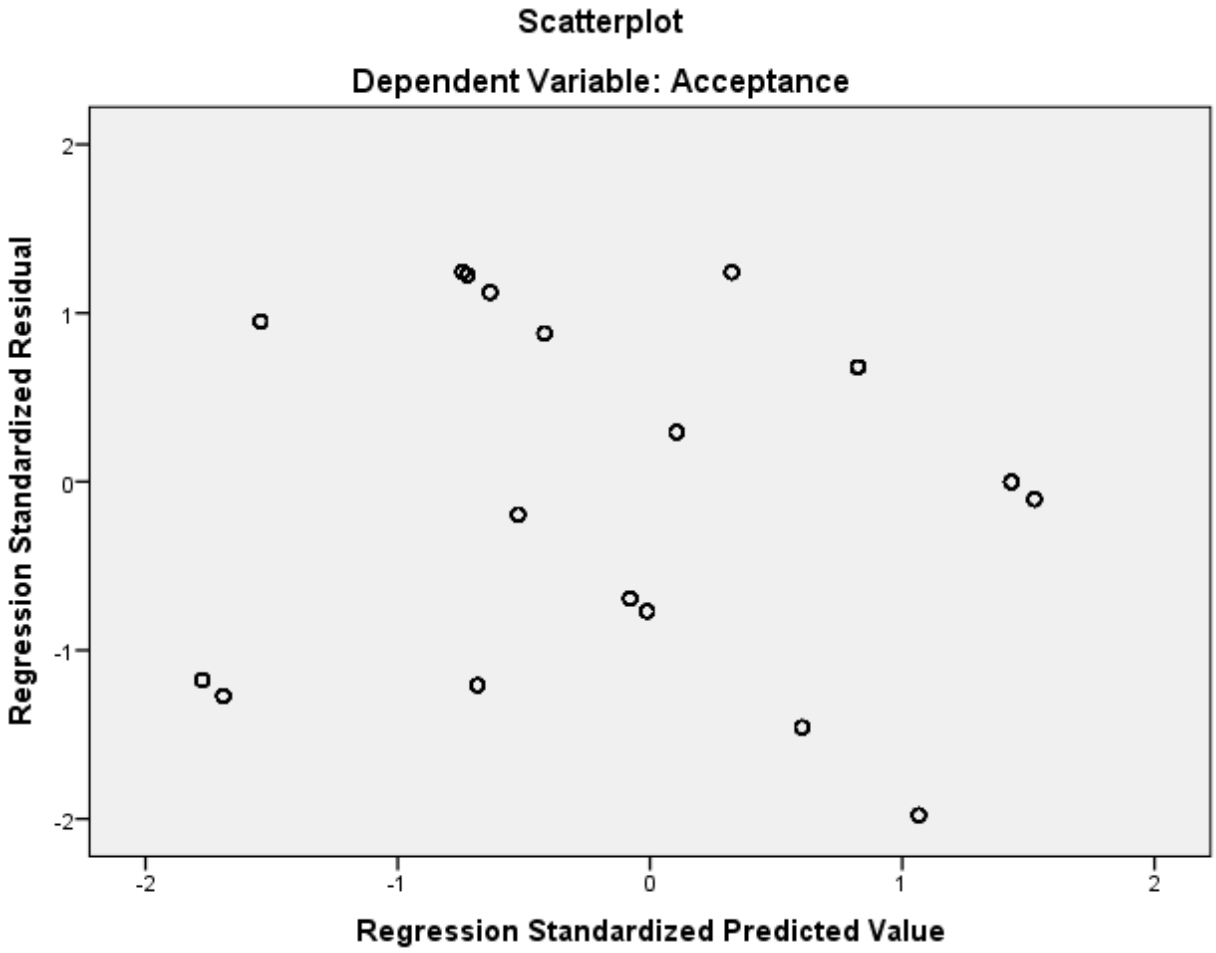
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.7467	4.5221	4.1638	.23504	380
Std. Predicted Value	-1.775	1.524	.000	1.000	380
Standard Error of Predicted Value	.015	.038	.026	.006	380
Adjusted Predicted Value	3.7520	4.5225	4.1648	.23470	380
Residual	-.41427	.26079	.00000	.20819	380
Std. Residual	-1.977	1.244	.000	.993	380
Stud. Residual	-1.994	1.252	-.002	1.001	380
Deleted Residual	-.42169	.26419	-.00096	.21160	380
Stud. Deleted Residual	-2.002	1.253	-.003	1.003	380
Mahal. Distance	.993	11.362	4.987	2.767	380
Cook's Distance	.000	.012	.003	.003	380
Centered Leverage Value	.003	.030	.013	.007	380

a. Dependent Variable: Acceptance

Charts


Histogram
Dependent Variable: Acceptance
Mean = 1.67E-15
Std. Dev. = 0.993
N = 380
Frequency
60
50
40
30
20
10
0
-2
-1
0
1
2
Regression Standardized Residual


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Acceptance
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: Acceptance
Regression Standardized Residual
Regression Standardized Predicted Value
2
1
0
-1
-2
-2
-1
0
1
2

ቅድስት ማርያም ዩኒቨርስቲ
St. Mary's University, Ethiopia

School of Graduate student
MBA-Accounting and Finance Department

Dear Respondent,

This questionnaire is prepared by MBA in Accounting and Finance student of St. Mary University under the supervision of Dr. Abebaw Kassie (Ass. Prof.) to collect information on Interest free financial products and services that provided by commercial bank of Ethiopia, Abay bank and Dashen bank under separate window. The information is used in a study that the researcher is covering under the topic, "***Determinants of Interest free banking acceptance in Ethiopia"*** with specific reference of commercial bank of Ethiopia Abay and Dashen banks. Any information gathered will be used only and only for academic purpose. For this reason, your contribution on honestly filling this questionnaire is helpful to produce quality paper. You are among those who have been chosen in the group of CUSTOMERS using Interest free banking service in your bank. So, please you are cordially requested to answer the following question and be informed that there is no right and wrong answer. Thank you in advance for your time and honest response.

Sincerely yours,

Tesfaye Assen
Phone: +2519-12-86-62-61
Email: bigdata.tesfaye@gmail.com

Instructions:
1) There are **TWO (2**) parts in this questionnaire. Please answer **ALL** sections.
2) Completion of this form will take you approximately 5 to 10 minutes.
3) The content of this questionnaire will be kept **private and strictly confidential**.

PART ONE - DEMOGRAPHIC INFORMATION

Please provide the appropriate information by placing a (√) in the bracket provided to represent your answer.

1. What is your Gender?
   i. Male ( )
   ii. Female ( )
2. What is your Age?
   i. less than 30 years ( )
   ii. 30 – 45 years ( )
   iii. 46 and above ( )
3. What is your current Educational Level:
   i. Primary school ( )
   ii. Secondary school ( )
   iii. Diploma & equivalent ( )
   iv. BA/BSC ( )
   v. Master Degree ( )
   vi. Others ( )
4. What is your Occupation?
   i. Government Sector ( )
   ii. Private Sector ( )
   iii. Self Employed ( )
   iv. Others ( )
5. How much is your Monthly Gross Income?
   i. Below Birr 2,000 ( )
   ii. Birr 2,000 – Birr 4,999 ( )
   iii. Birr 5,000 – Birr 7,999 ( )
   iv. Birr 8,000 – Birr 10,000 ( )
   v. Above Birr 10,000 ( )
6. to which Interest free banking offering bank you are associated with?
   i. Commercial Bank of Ethiopia ( )
   ii. Abay Bank ( )
   iii. Dashen Bank ( )
7. For how long have you been the customer of your associated Interest free banking offering bank?
   i. Less than 2 years ( )
   ii. 2 – 5 years ( )
   iii. Above 5 years ( )
8. With which interest free banking account you are associated with?
   i. Wadiya Amana (saving account)( )
   ii. Qard(current account)( )
   iii. Mudarabah (investment account)( )
   iv.Murabaha (markup sales)( )
   v. Istisna (Leasing)( )

PART TWO- FACTORS THAT INFLUENCES ACCEPTANCE

This part divided into seven sections, in each section there is statements that indicate what determine Interest free financial products and services acceptance that you intended to fill. In this part as your agreement with the statement circle alternatives as:

"1" for Strongly Disagree "2" for Disagree "3" for Neutral "4" for Agree "5" for strongly agree.

Section 1: Acceptance level of Interest free banking service

Dependent Variable						
Acceptance Level of IFB window service						
S.N	**QUESTIONS**	**ALTERNATIVES**				
		SD	**D**	**N**	**A**	**SA**
AL 1	I accept the operation of Interest free banking window service.	**1**	**2**	**3**	**4**	**5**
AL 2	I accept the Interest Free Banking window service that guaranteed economic benefit than conventional banks.					
AL 3	I prefer Interest Free Banking window service due to its compatibility with sharia guidance.					
AL 4	Due to use of Arabic terminology for its contracts, I don't prefer to use the Interest free banking window service.					
AL 5	I trust the operation of Interest Free Banking window as like as full pledge Islamic banks and it makes me to accept window service.					
AL 6	I accept Interest Free Banking windows service due to its use of Islamic Branding that promote Islamic value and moral.					
AL 7	I accept and satisfied with the quality of Islamic products and services provided by Interest Free Banking windows.					

Section 2: Perceived Relative Advantage

Independent Variable						
Perceived Relative advantage						
S.N	**QUESTIONS**	**ALTERNATIVES**				
		SD	**D**	**N**	**A**	**SA**
RELAD 1	As Interest free banking is advantageous for both lenders and borrowers its establishment in the bank influenced me to accept it.	1	2	3	4	5
RELAD 2	Introduction of interest free banking service is good idea as it provides solution to those with existing financial problems.					
RELAD 3	Interest free banking that offered under separate windows is beneficial as its financing is based on shares profit/ loss made out of it than conventional one.					
RELAD 4	Interest Free Banking window service is guided by profit and loss sharing principle in accordance with projects' economic output that will result Economic gain advantage.					

Section 3: Perceived compatibility

Independent Variable						
Perceived compatibility						
S.N	**QUESTIONS**	**ALTERNATIVES**				
		SD	**D**	**N**	**A**	**SA**
COMP 1	Interest free banking that offered under separate windows is a good complement to their values as it depends on sharia.	1	2	3	4	5
COMP 2	I prefer Interest Free Banking window service due to its compatibility with sharia guidance.					
COMP 3	My principal aim of using Interest Free Banking window is Halal money and Bereka than collecting huge money from haram activity.					

Section 4: Perceived complexity

Independent Variable						
Perceived complexity						
S.N	**QUESTIONS**	**ALTERNATIVES**				
		SD	**D**	**N**	**A**	**SA**
CLEX 1	The complexity to understand and use of Arabic name and concept applied to Interest free banking influenced me to accept it.	**1**	**2**	**3**	**4**	**5**
CLEX 2	Interaction with financial product and services that offered by banks under interest free banking window service require a lot of mental effort to understand					
CLEX 3	The different name the banks use for financial products and services offered under interest free window from the conventional bank make it difficult to understand and use.					

Section 5: Perceived Trust

Independent Variable						
Perceived Trust						
S.N	**QUESTIONS**	**ALTERNATIVES**				
		SD	**D**	**N**	**A**	**SA**
TRU 1	The operation of Interest Free Banking window Service is Free from Riba (interest), Gharar (Gambling) and unlawful Trading	**1**	**2**	**3**	**4**	**5**
TRU 2	I trust the operation of Interest Free Banking window as like as full pledge Islamic banks and it makes me to accept window service.					
TRU 3	Fund of Interest Free Banking window is fully segregated from conventional bank's custody					
TRU 4	Interest Free Banking window service addressed the poor of poor to ensure economic Equity					

Section 6: Attitude towards Islamic Branding and use of window service

Independent Variable						
Attitude towards Islamic Branding and use of window service						
S.N	**QUESTIONS**	**ALTERNATIVES**				
		SD	**D**	**N**	**A**	**SA**
ATTIB 1	I strictly use a banking service that is promoting Islamic branding and Islamic values towards the public.	**1**	**2**	**3**	**4**	**5**
ATTIB 2	I prefer to use full pledged Islamic banks than window service					
ATTIB 3	The offering of Interest free banking window service is limited compared with full pledged Islamic banks					