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**Factors affecting the implementation of Interest Free Banking Services
The Case of Commercial Bank of Ethiopia**

**Thesis Submitted to
Addis Ababa University, School of Commerce
Department of Marketing Management**

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**June, 2022
Addis Ababa**

STATEMENTS OF DECLARATION

I hereby declare that this study entitled “Factors Affecting Implementation of Interest Free Banking Services in Ethiopia: The case of Commercial Bank of Ethiopia” is a recorded of independent research work carried by me under the supervision and guidance of Dr. Saleamlak Molla (Associate Professor). This has not been previously submitted for the award of any other diploma, degree or other similar title.

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SUPERVISOR’S CERTIFICATION

Certified that the thesis entitled “Factors Affecting Implementation of Interest Free Banking Services in Ethiopia: The case of Commercial Bank of Ethiopia. submitted to the Addis Ababa University, Addis Ababa City for the award of degree of Masters of Marketing Management is a record of independent research work carried out by Roza Fedlu, under my supervision and guidance. This has not been previously submitted for the award of any diploma, degree or other similar title.

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This is to certify that the thesis prepared by Roza Fedlu, entitled: “Factors Affecting the Implementation of Interest Free banking. The Case of Commercial Bank of Ethiopia Addis Ababa Dedicated Branches” and submitted for fulfillment of the thesis requirement for the Degree of Master of Art in Marketing Management that complies with the regulations of the University and complies the accepted standards with respect to originality and quality.

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AKNOWLEDGEMENT

First, I would like to thank the Almighty ALLAH for his endless mercy and support. Secondly, I would like to express my genuine thanks to my advisor Dr. Saleamalk Mola (PhD.) for the advices and constructive comments received from him. Next, I'm great full to the respondents who have willingly provided me with the required information valuable for the completion of this study.

My heartfelt appreciations go to my beloved parents. Especially to my mother w/ro Murida Redi who sacrificed her resources, energy, unique advice and moral support for my education from inception to completion. Last but not least I would like to express my gratitude to Addis Ababa University's instructors specifically those working at the department of Marketing Management for the knowledge imparted.

Thank you all!

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List of Acronyms

AMP: Association of Muslim Professionals

ATM: Automated Teller Machine

CBE: Commercial Bank of Ethiopia

DOI: Dominance of Intention

DTPB: Decomposed Theory of Planned Behavior

IDT: Innovation Diffusion Theory

IFB: Interest free Banking

IRB: Islamic Retail Banking

NBE: National Bank of Ethiopia

PCI: Perceived Character of Innovation

PSR: Profit Sharing Ratio

SEM: Structural Equation Modeling

SPSS: Statistical Package for Social Science

TAM: Technology Acceptance Model

VIF: Variance Inflation Factor

ABSTRACT

Purpose -The study examined Factors affecting the implementation of Interest free banking services among customers of Commercial Bank of Ethiopia, Addis Ababa, Ethiopia.

The research used explanatory or causal research design in order to evaluate the dependent and independent variables. Population of this study consisted of dedicated branches users of commercial banks of Ethiopia located in different areas of Addis Ababa. Data were collected from 357 respondents by means of structured questionnaires which were distributed to dedicated IFB branches and were filled by IFB customers of commercial bank of Ethiopia. The result showed that from the eight independent variables used in the study, Awareness, Relative advantage, Compatibility, Observability, Religious beliefs, Customer involvement have positive relation and significant on implementation of IFB and on the other hand Complexity and perceived risk have negative effect. The study area was limited to Addis Ababa districts of Commercial Bank of Ethiopia. Thus, the result from the case might not be generalized to customers or other banks and CBE customers out of Addis Ababa. The study recommended that in order to improve the implementation of IFB there should be study's which carried out on sample of all banks and all regions of the country to investigate their proper implementation of such service and also there should be an interview to get qualitative measurement and the other one is providing programs, seminars, and training in the area of Interest Free Banking services and products in order to produce experts that serve the sector.

Keywords: Interest Free Banking, Implementation, Dedicated Branches, CBE

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Islamic sharia ideals and ethos are reflected in interest-free banking. Muslim morals and legislation are practiced in accordance with Sharia, an Arabic term. Muslims are prohibited by Islamic law, known as sharia, from trading in Riba (interest), which is defined as an increase, addition, rise, or expansion of value (Khattak and Rehman, 2010).

It is the prohibition of interest or usury in Interest Free Banking that sets it apart from traditional banks in this regard. Gharar is also banned, which implies that there is a lot of room for error. Following this line of reasoning, Islamic banks are not permitted to participate in any trade or investing operations that are considered Haram in Islam, such as the selling of pork or alcohol or the funding of a casino or similar venture. Islamic banking, on the other hand, holds that money has no intrinsic worth and, as a result, money cannot create new wealth. As Usmani (2007) argues, money is not valuable since it cannot be used to buy food, water, or clothing in the event that one is trapped in a desert.

Money, according to traditional economics, serves three primary purposes. A trade medium, a store of value, and an accounting unit all rolled into one. Islamic economics, on the other hand, views money as only a means of trade and a measure of worth. Banks that don't charge interest encourage customers to share in both profits and losses, and they prohibit any benefit without risk (Iqbal and Molyneux, 2005).

Interest-free banking has a long and distinguished history in the Middle East, but Egypt's Mit-Ghamr, which operated from 1963 to 1967, was the first of its kind. Islamic banking services were given to Muslims in a low-income neighborhood in a way that adhered to sharia law. When the Islamic Development Bank was established in 1975 to promote the establishment of interest-free banking, its primary goal was to promote economic growth in the new Islamic banking world. If Muslims are forbidden from paying or consuming interest, where would they put their savings? The necessity for banking and financial services is the same for Muslims, according to Siraz (1988).

Interest has been outlawed not just in Islam, but also in Christianity and Judaism, the other two great global faiths. The interpretations of Riba that Islamic jurists and economists have come up with are vastly divergent (Iqbal, 2002). According to the definition given previously, "Riba" is an Arabic term that literally translates to rising or expansion. The principle and interest on a loan are paid back to a creditor in today's capitalist system. Does this have any relation to that? According to Iqbal (2002), Islamic jurists and scholars have differing views on the matter.

It is also forbidden in Islamic economics to lease something that can only be utilised by consuming it, and this includes money (Usmani, 2007). In the event that the rented asset is damaged or destroyed, the lease will come to an end. Traditionally, a penalty and/or additional charges are levied on the lessee who is late with his rent payments.

Despite their immense potential, the financial instruments listed above are not without flaws. Interest-free banking services rely on the premise that all transactions are Sharia-compliant and that every customer is adhering to this norm (Sudin et al., 1994). Zam Zama Bank (ZZB) and Hijira Bank (GAB) are two fully-fledged Islamic banks now operating in Ethiopia, which are part of the country's financial system.

1.2. Statement of the Problem

It is common knowledge that a person's religious convictions and their sense of social responsibility are two of the most important factors to consider when selecting a financial institution. The cost-benefit ratio is the third most important factor to take into account when selecting a bank. Clients of traditional banks and customers of banks that do not charge interest have a number of commonalities, but there are also significant disparities between the two groups. Clients of interest-free banks, for instance, have a greater familiarity with Shariah-compliant products and services than customers of conventional banks do. Erol and El-Bdour (1989) claim that this is not the case, despite the fact that earlier research has shown that religious motivation does have a major influence on the choosing of a bank. Since a large number of clients would withdraw their funds from an interest-free bank if the institution did not generate sufficient profits to pay out dividends in a given year, the higher dividend payments served as an incentive for consumers to continue banking with the institution.

In a period of less than three years, about nine of Ethiopia's eighteen banks joined the ranks of those in the commercial banking sector that provide interest-free banking services. Other banks have shown their readiness to follow suit. The rapid adoption of interest-free banking practices by financial institutions of varying sizes is a significant indicator of the cutthroat competition that exists within the banking sector. When it comes to interest-free banking, the banking industry should investigate the factors that influence consumers' behavioral desire to embrace interest-free banking products and services, identify obstacles to adoption for product change, and routinely gather feedback. In addition, the banking industry should investigate the factors that influence consumers' behavioral desire to embrace interest-free banking products and services. Because the market share of interest-free banking deposits is relatively low, banks are increasingly making an effort to recruit consumers by initiating awareness campaigns in order to attract new customers. This is part of an overall trend toward increased emphasis on customer acquisition.

The primary gaps in this study were in the areas of commercial banks' considerable interest in Islamic finance banks as an alternative financing intermediary, the country's large Muslim population in comparison to Islamic finance banks' limited market share in comparison to conventional banks, and a lack of literature on the variables that impact the implementation of Islamic finance banks. Early exploration of the factors influencing the implementation of interest-free banking (IFB) is helpful because it makes it possible for all stakeholders of interest-free banking (IFB) to manage the problem and accelerate the implementation of IFB products and services, both of which make a significant contribution to economic growth.

In his paper on the variables that influence the adoption of Islamic banking in Ethiopia, Nobel (2019) recommended conducting additional research on the various aspects of Islamic banking, in particular the limited Islamic banking windows and the fully-fledged Islamic banks in Ethiopia. This recommendation was made in the context of the paper. After discovering that these characteristics and the advantages they give were not generally understood, he made it his mission to educate others about them.

In the last few years, there has been a fast expansion of an interest-free banking business in Ethiopia, and the purpose of this study is to investigate how these new entrants could go even further. Stakeholders in interest-free banking stand to gain from an early investigation of

implementation difficulties since it allows them to fix the problem and accelerate the rollout of interest-free banking goods and services, both of which are essential to economic expansion.

1.3. Research Questions

- What is the effect of awareness and relative advantage on implementation of interest free banking service in CBE?
- What are the effects of complexity and compatibility on implementation of interest free banking service in CBE?
- What are the perceived risks in implementation of interest free banking service in CBE?
- Does customer involvement have an effect on implementation of interest free banking service in CBE?
- What are the effects of religious belief on implementation of interest free banking service in CBE?

1.4. Objectives of the Study

The general objective of conducting this research is to investigate and find out major factors affecting the implementation of Interest free banking service and to recognize those factors that need more consideration to develop Interest Free Banking in Ethiopian economy, with specific reference to Commercial bank of Ethiopia.

1.4.1. Specific Objective

- To determine the effect of awareness and relative advantage on implementation of interest free banking service in CBE.
- To examine the association of compatibility and complexity with implementation of interest free banking service in CBE.
- To assess the relationship perceived risk has with implementation of interest free banking service in CBE.
- To assess the of customer involvement on implementation of interest free banking service in CBE.
- To determine the effect of religious belief on implementation of interest free banking service in CBE.

1.5. Scope of the study

In order to further the aims of this inquiry, an experiment was carried out on IFB account holders who are customers of banks in the city of Addis Ababa. Participants in the research were selected for the experiment according to their level of desire to take part as well as how responsible they are for managing their own bank accounts. In this research, the only factors that are taken into consideration are awareness, advantage, complexity, perceived risks, consumer engagement, and religious belief.

The investigation was conducted using a quantitative approach, and it included both primary and secondary sources of data. As part of the procedure for conducting survey research, the location of the questionnaire that will be used to collect data will be selected. In addition to that, it made use of a structured survey with official question lists that were presented to each respondent in precisely the same fashion.

For the purpose of the research, there is only one viable alternative, and that is Commercial Bank of Ethiopia. This is due to the fact that CBE is very active in the banking sector. As a consequence of this, the key objective of the research is to identify the connection between dependable service and the satisfaction of the clientele. Because Commercial Bank of Ethiopia is recognized for catering to high-end clients who want good service and are indifferent about the cost, the reason for this in-depth assessment of the connection is because high-end clientele are the target audience for this investigation. Owing to the fact that this makes it difficult to monitor risk, the bank is unable to do so due to the unavailability of the infrastructure to provide all services without a hitch.

Infrastructure is the single most important resource for every company, but it is particularly important for financial institutions like banks because of their reliance on data. The success of the company's service delivery is dependent on the efforts of both its employees and its management. In this industry, it is quite unusual for a day to pass without at least one instance of a system failure. As a direct consequence of this, the company is unable to deliver the essential service to its customers. The company did not make any effort to improve the effectiveness of the system.

1.6. Significance of The Study

By analyzing the factors that have a major impact on the process of implementing interest-free banking services, it will serve as a guide for the interest-free banking movement as well as for the financial institutions that support it. As a result, the financial and banking institutions that do not charge interest will develop a new strategy and work to enhance their institutions. And the management of the bank, in addition to the marketers who wish to target their actions and strategies in a coercive manner, are able to act upon this study in order to understand its gap (if any), and then act upon it in order to ensure that the bank satisfies its original purpose or reason for starting the business. These individuals can help banks to implement new strategies or to readjust their existing strategies to tap into the potential of the interest-free banking sector in Ethiopia, which is one of the factors that affects the implementation of IFB. These individuals can also help banks to understand the factors that affect the implementation of IFB. Theoretically, it will also serve as a reference material and a suitable foundation to carry out for later research activities on IFB and associated themes. Additionally, it will offer major direction for policy makers to assess the present policy for the growth of IFB activities in Ethiopia.

1.7. Operational Definitions

The following definitions of terms by prominent scholars are the key concepts that were used throughout the research along with their spirits and contexts for ease of understanding of the research subject.

Gharar: Any act of uncertainty. Alkhan, A. M. (2020).

Haram: is a forbidden activity and is considered as a major sin. A haram activity is punishable by Allah, and avoidance of haram activities, such as gambling and drinking, is rewarding. Alkhan, A. M. (2020).

Halal: Things permissible by the Sharia' Alkhan, A. M. (2020).

Hawala: Remittance that involves a transfer of funds/debt from the depositor's/ debtor's account to the receiver's/creditor's account; a commission may be charged for the service Alkhan, A. M. (2020).

Ijarah Financing: Lease financing Alkhan, A. M. (2020).

Istisna Financing: Building and plant construction financing Alkhan, A. M. (2020).

Mudharabah: type of investment partnership where a customer deposit money and the bank

shares both the profit and loss after investing the money on permissible business Alkhan, A. M. (2020).

Mudharabah: Entrepreneurial manager in Mudharabah (trust financing) partnership Alkhan, A. M. (2020).

Murabaha Financing: Working capital financing on a cost plus a profit margin basis Alkhan, A. M. (2020).

Musharakah/Musyarakah: (partnership financing) refers to an investment partnership in which all partners share in a project's profits on the basis of a specified ratio but losses are shared in proportion to the amount of capital invested Alkhan, A. M. (2020).

Prohibition: business engagements forbidden in compliance with the Sharia Principle Alkhan, A. M. (2020).

Qard: Interest-free financing Alkhan, A. M. (2020).

Restricted Investment Deposits: Deposits to be deployed for investment by the bank for economical financing based on the recommendation of the depositor customer Alkhan, A. M. (2020).

Riba/Usury: Interest Alkhan, A. M. (2020).

Salam Financing: Agricultural products financing. Standalone: a banking convention operating independently Alkhan, A. M. (2020).

Unrestricted Investment Deposits: Pool of deposits to be independently deployed by the bank for any economical financing without any intervention of the depositor Alkhan, A. M. (2020).

Wadiah Deposit: Return-free safekeeping deposit Alkhan, A. M. (2020).

1.8. Organization of The Study

In the first chapter, we cover the History of the Study, a Statement of the Problem, the Significance of the Study, the Scope of the Study, General and Specific Objectives, Research Questions, and Definitions of Operational Terms. Chapter two: The Changing Landscape of Interest-Free Banking, In this article, we include a theoretical review, a conceptual analysis of the literature, the creation of a hypothesis, and empirical literature. The methodology of the study, the research design, the data source, the study area, the target population, sampling methods, sample size, the technique of data analysis, reliability and validity, and ethical considerations are all covered in Chapter Three. The analysis of the data, presentation of the

results, and discussion of the findings are covered in Chapter Four. The last chapter is titled "Conclusion," and it covers both the positive and negative aspects of the research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

In this chapter literatures related to the study are reviewed. Both theories and empirical literatures are presented in a manner that can show the conceptual framework and relation between the dependent variable and independent variable.

2.1 Theoretical review

2.1.1. History of Islamic Banking and financial institution

One example of the financial sector's major contribution to the economy is banking that is not subject to interest rates. The origins of Islamic banking may be traced back to the time of Prophet Muhammad. He was a businessman who moved products from one country to another while abiding by Sharia law (Monica, Ng, Low, & Nur, 2016). When it came to business and finance, people in the Middle East followed Sharia law throughout the medieval era (1000–1500 AD). Several European firms have started offering banking services to consumers in Asian and Middle Eastern countries as economic relations between Europe and Asia strengthen (Savalan I. I., 2012). Established financial centers have a history of winning because of the growing importance of Western countries in the global economy (Molyneux & Iqbal, 2005). There were strong commercial ties between the Spanish and Arabs throughout the Ottoman Empire. Companies based on profit and loss sharing and supervised by financial norms that barred Arabs from accumulating interest were established (Savalan I. I., 2012). The western banking paradigm, which is incompatible with Islamic law, was adopted by all Muslim countries after the Industrial Revolution. As a result of the late twentieth-century global financial crisis (Shahrukh, 1987). There has been an increase in the number of Muslims who wish to live their lives in accordance with the Sharia, which is the Islamic legal system (Greuning & Iqbal, 2012). It was revealed that certain companies were providing monetary services in conformity with Islamic law in the middle of the 20th century. A distinctive feature of the first Islamic bank set up in Pakistan was that it did not charge interest fees to its customers. The world's first modern Islamic bank was founded in Egypt in 1963 by Mit Ghamr, the man who came up with the concept. The purpose of the bank was to attract customers who had doubts about state-owned banks (www.wikipedia.org). As a cooperatively organized financial institution, Mit Ghamr Savings and Loan Association allowed its clients to borrow modest amounts for productive uses and gave a

return on their savings (Nur, Monica, Ng, & Low, 2016). In September 1963, Malaysia inaugurated the country's first Islamic banking service, which was designed to help Muslims save money for the costs of the Hajj pilgrimage to Mecca (Savalan I. I., 2012). The Islamic Development Bank (IDB) was created in 1975 with the goal of giving financial support to projects inside its member states (Warde I., 2000). The Islamic banking system, which is based on profit sharing rather than interest, was expected to take the place of interest-based banking by the late 1970s, according to predictions. In 1979, Egypt's first Islamic and Commercial Bank opened its doors with the mission of supplying financial institutions with working capital. The 1980s were a critical era for establishing the bank as an analytic and theoretically sound institution (www.wikipedia.org). During the 1980s, the Islamic Republics of Iran and Pakistan built banking systems that eliminated interest and recognized Islamic banking as a legitimate practice. This was a significant vote of confidence in Islamic finance (Zamir& Abbas, 1998). Islam's Islamic investments boomed from 1980 to 1985, drawing in investors with promises of both financial and spiritual gains. As of 1995, 144 Islamic financial institutions had been established worldwide, and since 2000, Islamic Financial Institutions has seen a considerable increase in their number of branches across the world (www.wikipedia.org). Large conventional banks have announced that they would provide Islamic financial products via what they term their "Islamic Windows," expanding the reach of Islamic banks beyond the confines of small businesses (Savalan I. I., 2012). There has been an increase in interest in Islamic financial products as a direct result of this. Achieved in less than 50 years, Islamic banking is now widely accepted as a viable alternative financial system around the globe. Across the world, this evolution has been taking place now. One trillion dollars in assets under management in its Sharia-compliant Islamic Investment Fund was announced, and it is expected that this amount would reach \$1.6 and \$5 trillion in 2012 and 2015, respectively (Savalan I. I., 2012). Mamman (2005) estimates that interest-free banks already operate in 75 countries, with annual growth rates ranging between 12 and 15 percent (Mamman, 2005).

There are four reasons why Islamic banking is the fastest-growing component of the global financial system, according to Ziyad (2010). (Ziyad, 2010).

- There has been a rise in demand for items that adhere to Sharia law.
- Traditional clients' want for a wider range of service options.

- Trying to find an alternative to interest-driven markets that are unpredictable

2.1.2. Principles of Islamic Banking Service

Banks that do not participate in transactions that are banned in Islam are known as interest-free banks. It is thus essential that any bank that wants to be referred to be an interest-free bank adheres to the following business procedures (Greuning&Iqbal, 2008; Sanusi L., 2011).

Riba, often known as interest, and Usury should be abolished.

The term "interest" refers to a fixed and predetermined amount that is added to the principle amount. Interest of any kind is severely prohibited in Islam. Riba, the Arabic word for interest, is considered a grievous breach by the Holy Quran and is hence banned. It is possible to have a more fair connection between the lender and the entrepreneur by avoiding conflicts of interest. Interest is a guarantee for the financier, but he or she bears no risk (Zineldin, 1990). Islamic law prohibits any party from charging or receiving interest from the other while performing a financial transaction. This is because interest is seen as a kind of profit that may be gained without any actual effort from the investor (Nur, Monica, Ng, & Low, 2016). A borrower is seen as exploitative and unproductive since interest provides the lender with a guaranteed profit with no risk of loss and provides a benefit in return for little labor from the borrower, which is perceived as exploitative. Inflation, unemployment, and a country's social and infrastructure development are all predicted to be hampered if these factors are brought together (Balla, Zaha, &Abdulbasit, 2009). An interest-free bank, according to Audu and Mika'illu (2014), is one that does not engage in any transactions involving interest, but rather participates only in those that involve the sharing of profits and losses. In the opinion of Warde (2000), there are three basic causes for the lack of interest (Warde I., 2000).

The conventional relationship between a borrower and a lender is based on interest, which makes riba an unjust practice. The lender makes money no matter what happens, but the borrower has the potential to get all of the profit or the risk of suffering all of the losses. Riba is unjust since the borrower has the opportunity to obtain the whole profit (Warde, 2000).

Extortionate in the sense that it benefits the wealthy while forcing the less fortunate to rely on the generosity of the rich (Warde, 2000).

Rabia is ineffective; funds should be allocated to projects that would benefit the economy and the lives of the people who use them (Warde, 2000).

There can be no room for ambiguity (gharar).

They have a duty of full disclosure to each other when two parties enter into a contractual agreement. Gharar or information imbalance will not be permitted to take place because of this. Shariah considers any transaction that does not precisely specify the subject matter, price, or ability to provide to be doubtful. For the transaction to be considered valid from an Islamic perspective, the value of the trade to each party involved must also be disclosed. To Islam, it is impermissible for one contracting party to take advantage of the other by acquiring advantages on their own (Nur, Monica, Ng, & Low, 2016).

Misuse of Maisir Is Prohibited

Maysir's restriction on speculative activities. An Islamic financial and commercial system forbids any forms of betting or speculating of any type. (Iqbal,2009). A benefit for one party at the expense of the other party results from operations that are based on random occurrences or speculation, and this does not contribute to the well-being of society. Ng, Monica, and Low (2016) published a report on the subject in 2016.

Sharing in the gains, the losses, and the dangers of business

As long as the money lenders and entrepreneurs are on the same page, the risks and benefits of doing business are shared equally under an interest-free banking system. Because Islamic law forbids the charging of interest on financial transactions, this is a requirement for the religion. Audu and Mika'illu (2014) believe this law will enhance social justice, alleviate poverty, and increase income equality.

adherence to the rules of contract law

A contract and the need to reveal facts are considered sacred in Islam. As a result of this trait, asymmetric information and moral hazard are less likely to develop (Iqbal, 1997).

2.1.3. Ethical Standard & Shariah-approved activities

As a matter of Islamic investing, it is essential for investors to verify that the companies or businesses they have invested in adhere to Shariah. There are several activities that cannot be financed by Islamic money (Nur, Monica, Ng, & Low, 2016). Only businesses whose activities are compliant with Shariah, the Islamic legal system, may be invested in. When it comes to alcohol, casinos, or gambling, it is illegal to invest in these businesses (IQBAL, 1997). Prior to deciding whether or not to invest in a firm, potential investors must do a thorough investigation of the company's history. This investigation should concentrate on the firm's policies, goods, and services, as well as the mechanisms by which the company operates and any positive or bad consequences its products or services have had on society (Nur, Monica, Ng, & Low, 2016).

Zakat

A tax on property prescribed by Islamic law, known as Zakat, is referred to as such. Anyone who exceeds the threshold in assets must pay a contribution equivalent to 2.5 percent of the total value of such assets for at least one lunar year. Zakat is taken from Muslim bank accounts during the month of Ramadan in line with Islamic banking norms, and this money is subsequently given to people in need. This facilitates a more equitable distribution of income (Usmani, 2002). (Usmani, 2002).

Overseers: Shariah-advisors

Every Interest Free Bank, according to Audu and Mika'illu (2014), must be administered by Islamic law professionals. An Islamic bank's operations and products would be audited by these specialists to make sure that they adhere to Shariah rules.

2.2. Empirical Review

On a global scale, many empirical studies on interest-free banking services and finance have been carried out by various researchers. The study investigated a number of factors that, depending on the circumstances, might make it more difficult for banks to properly carry out their strategies.

Rugimbana and Iverson conducted research on customers of Australian banks' usage of automated teller machines (ATMs) (1994). The researchers observed a high association between

the usage of automated teller machines (ATMs) and the strategy of concentrating on the ATM's relative benefits after surveying customers of two different banks. People who have the perception that automated teller machines are trustworthy, convenient, and safe are more inclined to use them.

Olatokun and Igbinedion (2009) conducted research in Nigeria utilizing the cluster sampling technique. They analyzed 428 questionnaires filled out by respondents from Nigeria using main factor analysis and multiple regressions. According to the findings of their study, the conceptions of relative advantage, complexity, compatibility, observability, and trialability each have significant influence on the consumer's attitude toward ATM usage. These notions also have significant implications on the consumer's likelihood to use an ATM.

According to the findings of a recent research that was conducted by Malisah Latip, M.H. Yahya, and Muhammad Junaina in Malaysia, the adoption of Islamic banking is impacted by a number of different factors (2017). The adoption of Islamic banking is the dependent variable that is the focus of this study, which investigates the relationship between seven independent variables and the topic. Four of the six criteria of innovation—relative advantages, compatibility and observeability, as well as complexity and perceived risk—are investigated in this research. Also investigated are perceived risk and complexity. The methods for this study, which include a structured questionnaire, were derived from three past investigations and modified to meet the goals of the current investigation (Yusof, 1999; Raman, 2010 and Moore and Benbasat, 1991). Using an appropriate sampling approach, a questionnaire was sent to a total of 436 individuals in the state of Sarawak in Malaysia. The products and services offered by Islamic banks are more likely to be used by customers if it is believed that they are suitable for the customers' present and future monetary requirements, if they are highly observable, and if they are simple to comprehend. The decision of the respondents to utilize Islamic banking was unaffected by the three factors that were deemed to have no statistically significant impact on the choice. Consideration should be given to three factors: perceived risk, perceived trust, and the innovativeness of the customer.

Table 2.2. Summary of four areas of studies with IDT

Type of Product/Innovation	Year	Author/Researcher
Automated Teller Machine	1994	Rugimbana and Iverson
	2009	Olatokun and Igbinedion
Cell Phone/Mobile Banking	2003	Brown et al. Al-Jabri and Sohail
	2012	
	2013	Mian and Rizwan
Internet Banking	2000	Tan and Teo
	2003	Gerard and Cunningham
	2004	Kolodinsky, Hogarth and Hilgert
	2010	Al-Ghait, Sanzogni, & Sandhu,
	2012	Thambiah, Ramanathan and Mazumder
Islamic Banking	1999	Yusof, M.Y.R Raman, R. Thambiah, Ramanathan and Mazumder Jamshidi, Hussin, Hashemi, Hosseini and Rostami
	2010	
	2012	
	2014	
	2017	Malisah Latip, M.H. Yahyal, Muhammad Junaina

Source: (Nobel Demissie, 2019)

The results of researchers that used Rogers' theory of the diffusion of innovation have been summed up in the four different study areas that are shown in the table located above. Overall, as can be seen from the examination of the literature that was shown earlier, the overwhelming bulk of the research was carried out in Muslim countries with (greater than 50 percent of the population). The concept of interest-free banking in Ethiopia has received very little research attention so far. As a consequence of this, the study is being carried out in Ethiopia, which is a nation known for its harmonious coexistence of Muslim and non-Muslim populations.

In Ethiopia, interest-free banking (IFB) is still in its infancy, and there has only been a limited amount of study conducted on the features of this kind of banking. Mohammed (2012) conducted research on the opportunities and challenges presented by Islamic banking in Ethiopia. He found that potential challenges include a lack of awareness, regulatory and supervisory issues, institutional issues, and gaps in research and development in Islamic studies. Other potential hurdles include the incorrect association of Islamic banking with particular religions or global terrorism.

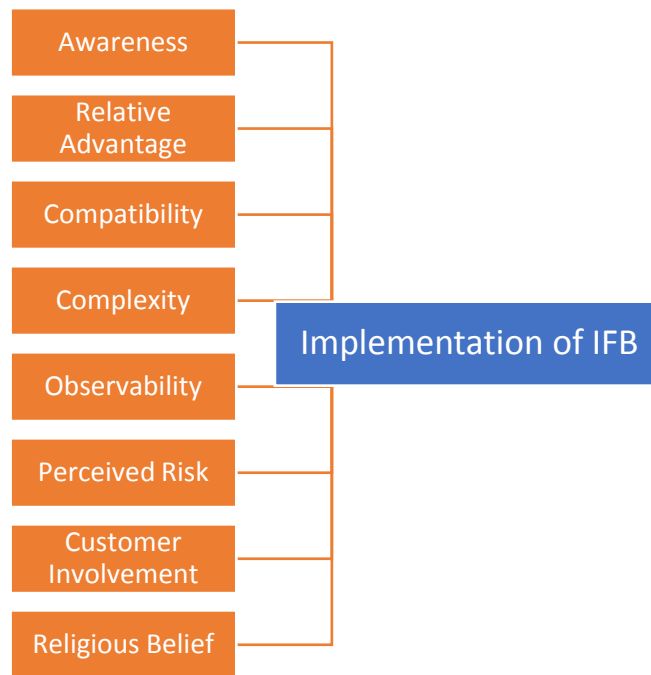
Teferi's (2015) study on the "Contribution of IFB to economic development and its prospects in Ethiopia" demonstrates, on the other hand, that He looked at the influence that incorporating the Muslim population in the banking system would have on economic growth and GDP. Debebe has conducted more research on "Factors Affecting Customers to Use Interest Free Banking in Ethiopia" as well; this study is not the only one of its kind (2015). The study is focused on examining the motivations of customers of interest-free banking to make use of the service. People who work in Ethiopia's commercial banks have a positive attitude toward interest-free banking due to their perceptions of its considered relative benefits, perceived compatibility, customer awareness, and subjective norm. These perceptions were formed based on the following: This study investigates how attitudes towards the use of interest-free banking (IFB) develop over the course of time, rather than concentrating on the factors that impact Ethiopia's acceptance of products and services offered by interest-free banking.

Akmel (2015) investigated the challenges and possibilities posed by Islamic banking in relation to the resource mobilization activities of Ethiopia using three Ethiopian commercial banks as case studies. This study focuses on the operational challenges that banks face in the process of resource mobilization. According to the findings of the research conducted by Kerima (2016), the distribution of IFB items is plagued by the following issues: inadequate marketing and promotion; insufficient capacity to offer IFB goods at full speed; lack of consumer understanding of IFB products; lack of confidence in consumers; double taxation In the wake of her aggressive marketing and promotion campaign for IFB products, the bank should provide sustainable and continuous training to build the capacity of the manpower, increase accessibility of its products along with the expected services attached to the products, have a

Sharia'h Advisor, give the required attention and focus for business, and the bank should be transparent in its IFB business undertain.

Finally, Abraham (2017) conducted a research on "determinants of consumers' tendency to use interest-free banking products and variables effecting employees' knowledge of product." This study focused on the factors that influence consumers' likelihood to use interest-free banking goods. Through the use of an unstructured questionnaire, we were able to collect information of a qualitative nature on the use intentions of our clients. With a total of 369 and 77 individuals serving as participants, respectively, we were able to test eight and three hypotheses on the intents of customers and the product knowledge of staff members towards the CBE. Methods of analysis that were employed included both descriptive and inferential approaches. In order to investigate the relationships existing between the variables, both multiple regression and structural equation modeling (SEM) were used. It was discovered that, apart from knowledge, all of the other characteristics that influence IFB use intention were important. The only exceptions to this were the perceived financial cost of using IFB and religious belief. Sharia's Underlying Principles and Training are Also Vitally Important for Product Knowledge of Workers, but Only in the Context of Arabic Terminology In addition, the chi-square test was carried out in order to evaluate the relationship between a number of different demographic factors and the possibility of using an IFB. The findings of this research showed that educational degree was the only factor that had a significant influence on an individual's desire to adopt IFB.

2.3. Conceptual Framework



Source: Own conceptualization based on the literature review.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1. Research Approach

Quantitative data because it enables summary conclusions to be reported in numerical terms with a predetermined degree of confidence is used in the study to generate relevant conclusions from a significant amount of data. Qualitative and quantitative methods are used in the study to generate relevant conclusions from a significant amount of data. In the context of this investigation, the collection of quantitative data through a questionnaire comes under the rubric of quantitative techniques.

3.2. Research Design

The purpose of this study is to investigate and determine what factors impact the introduction of interest-free banking at Commercial Bank of Ethiopia. As a direct result of this, the kind of research known as causal or explanatory research was used in this investigation in order to identify the link between the factors that influence the adoption of interest free banking. After seeing the variation in one variable that is presumed to be the source of the change in another variable, the second variable should next be investigated (s). Consequently, additional potentially confounding aspects need to be taken into consideration, and this may be done either by ensuring that they remain unchanged during the experiment or by use statistical techniques. Because it deals with people's ideas and intentions, this kind of study is extremely challenging. Additionally, the researcher can never be absolutely positive that the causal link is unaffected by any other factors in the environment. Respondents often lack an understanding of the fundamental psychological problems.

According to Creswell, one example of a correlational research design is an explanatory research design. In this kind of design, the researcher is interested in how two or more variables co-vary and how changes in one variable reflect changes in the other (2012). An explanatory research technique is suitable given that the purpose of this study is to investigate the influence that advertising components (an independent variable) have on consumers' intentions to make a purchase (Dependent variable).

3.3. Data collection Method

In order to collect firsthand data, the research used a questionnaire that was developed based on an analysis of the relevant literature that was connected to the topic of the study. Therefore, in order to gather information for this study, questionnaires were constructed as a way of data collection. In the research, both open-ended and closed-ended structured questionnaires were employed to collect responses from participants. When used in conjunction with one another, open-ended and closed-ended surveys make it feasible to collect data that can be measured. Using both open-ended and closed-ended surveys, customers' perceptions on the factors that influenced the decision to establish interest-free banking were acquired. As a result of this, surveys have been developed to investigate the factors that influence the use of financial services that do not incur interest. The questionnaire has a Likert scale with five points, ranging from one to five, with one representing a very strong disagreement and five representing a very strong agreement. During the course of the delivery of the questions, the researcher prompted the respondents to choose the response that they felt was the most appropriate. Responses are expected to be timely and accurate to the best of their abilities.

3.4. Population of the study

The major emphasis of the research is going to be on the individuals who are being investigated, who are CBE IFB account users who frequent IFB-specific branches. For the purposes of this research, a representative sample would consist of IFB account holders who are customers of banks in the city of Addis Ababa. Addis Ababa is broken up into eight different districts, each of which has its own branch of the bank that was investigated for this research.

3.5. Sampling technique

To collect data from the population of interest without breaking the bank or wasting too much time or resources, a non-probability sampling strategy was used. This was necessary since the sample size was so huge. This approach for sampling involves picking a portion of the universe that is smaller than the total in order to provide a sample that is representative of the whole universe (Kothari, 2004). The selection of the sample was based on demographic information that was readily available or on responders who just so happened to be in attendance at the appropriate time and place. This study made use of a sample method known as convenience

sampling. The researcher made contact with the target group in Addis Ababa, and they gave their permission to take part in the study.

3.6. Sample size and Determination

The following sampling formula for infinite population is used to come up with the sample size.

$$n_0 = \frac{Z^2 pq}{e^2},$$

Where:

n_0 -Sample size

Z – z value at specified confidence interval, e.g., z=1.96 at 95% CI

p – Degree of variability (0.5)

q – Q=1-p (0.5)

e – Desired level of precision ($\pm 5\%$)

Where n_0 is the sample size, Z2 is the abscissa of the normal curve that cuts off an area at the tails (1 –) equals the desired confidence level, e is the desired degree of accuracy, p is the estimated proportion of an attribute that is present in the population, and q is 1-p. The value for Z may be found in statistics tables that show the area beneath the normal curve.

As an example, assumed $p=0.5$ since there will be a big population and we didn't know the fluctuation in the proportion of people who followed the practice (maximum variability). Furthermore, a 95 percent confidence level and a 5% accuracy level were needed.

$$n_0 = \frac{Z^2 pq}{e^2} = \frac{(1.96)^2 (0.5) (0.5)}{(0.05)^2} = 384.16 \approx 384$$

3.7. Source of Data

The most important data gathering approach for this study is the main source. Customer surveys were used to gather primary data. Throughout the investigation, the researcher consulted both primary and secondary sources of data. For this purpose, a survey of customers will be performed in order to acquire data that is directly relevant to the goal of interest-free banking's widespread adoption. Secondary data gathering was done utilizing sources such as books and articles and the internet in order to get relevant information for the goal.

3.8. Methods of Data Analysis

After obtaining the information, we examined it again to make sure that it was correct. The variables and questions that were entered into SPSS are utilized to determine how the data should be coded. SPSS is a statistical tool designed for use in social research. Both descriptive and inferential statistics were used over the course of the data analysis. The analysis of the data was performed using version 20 of the SPSS statistics program, often known as the Statistical Package for Social Scientists.

3.8.1. Descriptive statistical Analysis

With the use of measures of central tendency, we were able to compile all of the vital demographic information into a single comprehensive report (frequency and frequency distribution, valid & cumulative percentage and comparison of mean). With the assistance of SPSS, tables may also be used to provide an explanation for the results.

3.8.2. Inferential statistical Analysis

The correlation and multiple linear regression analyses that were conducted as part of an inferential statistical investigation were carried out with the help of the SPSS program. In the following paragraphs, we'll discuss how to make use of these statistics and how to present them in a meaningful way.

A. Correlation

The word "correlation" refers to the way in which the correlation coefficients of two variables represent the link between those variables (r). The Pearson product moment correlation will be employed for this analysis since all of the variables are being analyzed at the interval level. When the correlation coefficient, denoted by " r ," between two variables is larger than zero, this indicates that there is a positive association between the variables. When one or both of the variables has a negative value, this indicates that their association is unfavorable. In order to be regarded statistically significant, correlations need to have a significance level of at least 95% and an alpha value of 0.05, which is the likelihood of an unexpected correlation happening once for every 100 observations

B. Multiple Regression Analysis

Multiple regression analysis is one of the statistical methods that is used the majority of the time while attempting to speculate on the value of a variable whose exact value is unknown. The development of a model is also an essential component of this procedure. The model that will be utilized for this study will be constructed with the help of predictors of the spread of interest-free banking.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \varepsilon$$

Where Y is the dependent variable and the independent variables are those which explain the response ranges from X1 to X5.

Table 3.8.2. Model Specification of Variables.

S.No	Predictor Variable (X)	Beta Coefficient (β)	Predictor Assigned	X-Value
1	Awareness	β_1	X1	
2	Relative Advantage	B2	X2	
3	Compatibility	B3	X3	
4	Complexity	B4	X4	
5	Observability	B5	X5	
6	Perceived Risk	B6	X6	
7	Customer Involvement	B7	X7	
8	Religious Belief	B8	X8	
9	Diffusion of IFB	Constant	Y	

Source: SPSS output of the survey, 2022

3.9. Reliability and Validity Analysis

Reliability Analysis

The degree to which the outcomes are the same under different circumstances is referred to as reliability. In order to verify the findings of the study, it must be carried out in the same way. The responses to the questionnaires that were filled out by respondents were converted into excel sheets in order to maintain the high degree of reliability that primary data has. After then, the findings were checked a last time to guarantee that they were free of any inaccuracies. It was requested of respondents that they complete out questionnaires as soon as possible in order to get

more trustworthy information and genuine perspectives. The dependability of secondary data is further ensured due to the fact that it is derived from reputable sources such as databases maintained by universities, academic journals, and other academic publications produced by marketing lecturers and professors

Validity analysis

The degree to which a test accurately measures what it is intended to assess is referred to as the test's validity, which is sometimes referred to as construct validity. It gives an account of how well a test operates in a particular environment (Bhattacharjee, 2012). If a test's validity is insufficient, then it won't be able to accurately evaluate the knowledge and skills that it claims to be able to evaluate. According to Kothari (2004), the content validity of a measuring instrument is associated with how thoroughly it addresses the topic that is the focus of the investigation. If an instrument uses samples that are typical of the whole world, then the content validity of the instrument as a whole is considered to be of high quality. When making decisions, it depends on its own discretion and intuitive understanding. Even while a group of knowledgeable individuals may decide whether or not the measuring equipment satisfies the criteria, there is no method to express this information in a numerical format. The research consultant examined the appropriateness of both the research questions and the measuring scale in order to guarantee that the study would provide reliable results. The questions went through a process of triple-checking with the assistance of academic peers as well as the input from a pilot poll. For the purposes of this study, only secondary data gleaned from academic, scientific, and business sources were used.

3.10. Ethical Considerations

It is essential to conduct an investigation of ethical concerns throughout the process of evaluating and collecting data. Consider these questions: No one is permitted to see or otherwise get any personally identifiable information under any circumstances. Anonymity, which refers to a situation in which the participant's identity is concealed, is a stricter kind of privacy than confidentiality. When carrying out the research, a variety of ethical considerations were adhered to at all times. People were offered the option to take part in the study or not, depending on their preferences. They were informed about every facet of the study activity that was being conducted. Consumers had the same level of protection under the law with regard to the personal information that they disclosed under the right to privacy. Every piece of information on the

participants is held in the utmost confidence and will in no way be disclosed to the general public.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1. Introduction

The following is a general outline for the structure of this chapter: It includes a reliability test for the measures employed, as well as an analysis of the demographics of the respondents. Pearson's correlation coefficient and descriptive analyses were provided sequentially in order to make it easier to do the empirical analysis.

4.2. Samples and response rate

363 of the 384 questioners distributed were returned, resulting in a return rate of 33%. A total of 357 legitimate questionnaires were approved, with a response rate of 94.5 percent, after removing six invalid forms. Consequently, of the 384 questionnaires provided, 92.9 percent of the participants returned legitimate surveys.

Table 4.2. Response rate.

Questionnaires	Respondent's	Valid percentage
Returned	363	94.5%
Invalid	6	1.5%
Not returned	15	3.9%
Total	384	100%

Source: Survey result (2022)

4.3. Demographic characteristics of respondents

According to the data presented in Table 4.3 out of the 357 individuals who participated in the survey, 204 (or 57.2%) were male while 153 (or 32.8%) were female. Out of the total of 357 respondents, 139 (38.9 percent) were between the ages of 18 and 29, 151 (42.3 percent) were between the ages of 30 and 39, 36 (10.1 percent) were between the ages of 36 and 45, and 31 (8.7 percent) were beyond the age of 50. According to Table 4.3 out of the total of 357 respondents, 122 (34.2 percent) had a first degree, 103 (28.9 percent) had a diploma, 104 (29.1 percent) had a second degree, and 28 (7.8 percent) had a bachelor's degree or below.

According to the findings of table 4.3, more than half of the 357 respondents were self-employed. This was followed by those who worked for the government (117.8 percent), those who were employed privately (47.8 percent), and others (31.77).

Table 4.3 Demographic characteristics of respondents

Variables	Type	Count	%
Age (in years)	18-29	139	38.9
	30-39	151	42.3
	40-49	36	10.1
	50+	31	8.7
Gender	Male	204	57.2
	Female	153	32.8
Educational Qualification	Certificate and below	28	7.8
	Diploma	103	28.9
	Bachelor	122	34.2
	Masters	104	29.1
Occupation	Government Employee	117	32.8
	Private Employee	47	13.2
	Self-employed	162	45.4
	Other	31	8.7

Source: Survey result 2022

4.4. Descriptive statistics of the level of agreement of the respondent's Perception towards different variables of the research

An itemized rating scale is used to create a range by the researcher. Respondents' attitudes regarding each variable will be gauged with the use of this range. The range is constructed using the following formula (Shrestha, 2015).

The mean scores of each variable were employed in this study's analysis, which was done using descriptive statistics or central tendency. Assessment of the average replies of respondents to each question contained in each dimension of the predictor variable and the grand mean of the dimensions was the primary purpose of this measurement. Finally, the grand mean of each independent dimension is used to arrive at the study's partial research objectives.

Itemized rating scale: $\frac{Max - Min}{5}$

$$\begin{aligned} &= \frac{5 - 1}{5} \\ &= 0.80 \end{aligned}$$

The mean of each individual item ranging from 1- 5 falls within the following interval:

Interval of Means	Perception
1.00 – 1.80	Very Low
1.81 – 2.60	Low
2.61 – 3.40	Medium
3.41 – 4.20	High
4.21 – 5.00	Very High

4.5. Perception of respondents on awareness of IFB of CBE

During this section of the study, the participants were questioned on their thoughts and attitudes regarding the IFB of CBE. The statements were presented to the respondents in a sequence, and they were asked to rate the degree to which they agreed or disagreed with each statement. The following table provides information on the mean and standard deviation for each item.

The graphs that follow demonstrate that customers give CBE's goods and services related to interest-free banking an average rating of 3.69 out of 5. The participants scored themselves, on average, 3.89 out of a possible 4, when asked if they were aware of the advantages of interest-free banking products and services. The next five questions, with mean scores of 4,05, 4,07, 3,96, 4,19, and 3,66, demonstrate the respondents' favorable sentiments towards the amount of information they have regarding IFB. According to the findings of the survey, the fact that the overall mean was 3.93 shows that the majority of respondents felt that customers' knowledge of CBE's IFB is high in connection to the statements in question suggests that the study was successful.

Tabel 4.5. Perception of respondents on awareness of IFB of CBE

Awareness	Mean	Std. Deviation
I have an awareness of Interest free Banking products and services provided by CBE	3.69	1.235
I am aware of the usefulness of interest free Banking products and services	3.89	.945
I know that all interest free banking products and services are free of interest	4.05	.731
I receive enough information about Interest free banking products and services	4.07	.820
I get enough information about how to proceed to get each Interest free banking products and services	3.96	.956
I receive enough information about the benefit of interest free banking products and services	4.19	.653
I never receive information about interest free banking products and services	3.66	1.256

Source: Survey result 2022

4.6. Customers perception on relative advantage

During this particular section of the questionnaire, CBE was contrasted with IFB. The participants were given five statements, and they were asked to rate how much they agreed or disagreed with each statement on a scale of one to five. The following table provides information on the mean and standard deviation for each item.

The majority of responders seem to agree with the assertion, according to the data that was presented. After using the products and services offered by interest free banking, the average score for financial transactions increased to 4.09 out of 5. In addition, participants in the poll gave interest-free banking goods and services a mean score of 4.5, indicating that they feel these products and services are more reliable than traditional banking services. On the other hand, interest-free banking products obtained a mean score of 3.99 out of 5 among those who took the poll. Respondents gave this proposition a mean score of 4.08 out of 5, indicating that they believe it will assist me in earning more money if I choose interest-free banking. I'm able to keep track of my money with relative ease because to IFB, which has an average score of 4.09 out of

5. As a result of the CBE, the overall mean for consumers' views of the relative advantage of IFB was 4.06, which suggests that the great majority of respondents agreed with the study's specified statements to some degree.

Table 4.6. Customers perception on relative advantage

Variables	Mean	Std. Deviation
Using Interest Free Banking products and services improved the quality of my financial dealings	4.09	.727
Interest Free Banking products and services are more reliable than conventional Banking services	4.05	.761
Interest Free Banking products provide cheaper cost of fund than conventional Banking services	3.99	.805
I feel using Interest Free Banking product will increase my revenue	4.08	.864
IFB is a convenient way to manage my finance	4.09	.892

Source: Survey result 2022

4.7. Customers perception on compatibility of IFB in CBE

IFB and CBE were put to the test in this section of the survey to see if they worked well together. Respondents were asked to rate how strongly they agreed or disagreed with a series of five statements. Each item's mean and standard deviation are shown in the table.

Based on survey results, the average respondent thought that interest-free banking products and services met their financial needs, with a mean score of 4.13. Most people think interest-free banking products and services are a good fit for their banking habits, as evidenced by the mean score of 3.73. Respondents said that Interest-Free Banking products and services meet my religious beliefs, with a mean score of 3.74. With a mean score of 3.71, respondents also stated that interest-free banking products and services are well suited to their current financial situation. The goods and services provided by interest-free banking also get a mean score of 3.81 when it comes to social justice. Consumers' overall impression of IFB's compatibility with CBE was 3.82, based on these findings, according to the survey results. Those who participated in the survey appear to be leaning toward agreeing with those who made the assertions.

Table 4.7. Customers perception on compatibility of IFB in CBE

Variables	Mean	Std. Deviation
Interest free Banking products and services fit with my banking needs	4.13	.734
Interest free Banking products and services fit with my habit of using bank	3.73	1.046
Interest free Banking products and services suite my religious belief	3.74	.816
Interest free Banking products and services are completely compatible with my current situation	3.71	.95756
Interest free Banking products and services are compatible with social justice	3.81	1.090

Source: Survey result 2022

4.8. Customers perception on complexity of IFB in CBE

In this section of the questionnaire, the difficulty of IFB in CBE was investigated. The participants were given five statements, and they were asked to rate how much they agreed or disagreed with each statement on a scale of one to five. The following table provides information on the mean and standard deviation for each item.

The average score of 3.95 lends credence to the notion that the products and services offered by interest-free banking are not difficult to understand, as indicated by the responses to the survey. There was a general agreement among individuals who were surveyed (the mean score was 3.91) that goods and services offered by interest-free banks are easy to utilize. In the same vein, the participants in the poll assigned a mean score of 4.05 points to interest-free banking transactions. The overall difficulty of IFB in CBE came to 3.92, which shows that the majority of respondents are in agreement with the assertions since they agreed with the claims made in the survey by a large number of respondents.

Table 4.8. Customers perception on complexity of IFB in CBE

Variables	Mean	Std. Deviation
Interest free Banking products and services are not too difficult to understand	3.95	.759
Interest free Banking products and services are not complex to use	3.91	.897
Interest free banking transactions do not involve complex procedures	4.05	.770
It is simple to use Interest free banking products and services	3.84	.882
Observing Interest free banking products and service users before using IFBs is necessary	3.89	.945

Source: Survey result 2022

4.9. Respondents' perception regarding observability of IFB in CBE

It was here that participants were asked to express their attitudes and beliefs on the possibility of IFB being seen in CBE. Respondents were shown a set of three statements and asked to rate how much they agreed or disagreed with each one. Each item's mean and standard deviation are shown in the following table.

The total mean of the perception observability is 3.89, which indicates that the majority of respondents agree with the assertions in the survey to a high degree of agreement.

Table 4.9. Respondents' perception regarding observability of IFB in CBE

Variables	Mean	Std. Deviation
I was affected by what I observed as the benefits of using Interest free banking products and service.	3.96	.956
I observed others using IFB service and saw the advantages of doing so.	3.66	1.256
I have seen how others use IFBs before I use them.	4.07	.711

Source: Survey result 2022

4.10. Respondents' Perception on perceived risk

The purpose of this section of the survey was to elicit responses from the participants on their thoughts and feelings in relation to the feasible risks posed by IFB in CBE. The participants were given five statements, and they were asked to rate how much they agreed or disagreed with each statement on a scale of one to five. The following table provides information on the mean and standard deviation for each item.

According to the statistics in the table, there is an extremely high level of contentment with the products and services offered by interest-free banks (mean score of 4.09). In addition, respondents indicate, with a mean score of 3.96, that making use of interest-free banking products and services does not present any dangers. The findings of Interest free Banking goods and services received mean scores of 4.19 and 3.66, respectively, which made it easy to estimate the total amount of money that would be forfeited and so simplified the situation. In spite of this, the overall score of 3.75 indicates that there may be an issue with the variety of interest-free banking products and services that are available to choose from. The fact that the participants gave the study's findings about the perceived risk of IFB in CBE a mean score of 3.93 implies that the vast majority of participants agreed with those assertions.

Table 4.10. Respondents' Perception on perceived risk

Variables	Mean	Std. Deviation
Interest free Banking products and services meet my expectation	4.09	.797
It is not risky to use Interest free banking products and services	3.96	.957
I do not fear of losing much money in case of Interest free Banking business loss	4.19	.653
The Interest free Banking products and services outcome were easy to predict.	3.66	1.258
There is a chance that there would be something wrong with the choice of the Interest free Banking products and services	3.75	1.035

Source: Survey result 2022

4.11. Respondents' perception regarding religious views on IFB in CBE

This section of the questionnaire tested the attitude and views about religious views of. A series of four statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table indicates the mean and standard deviation for each item.

The overall mean for the perception religious views is 3.75 indicating that the majority of respondents are towards agreeing level agreement with the statements specified in the study.

Table 4.11. Respondents' perception regarding religious views on IFB in CBE

Variables	Mean	Std. Deviation
I believe IFB services is based on the Islamic principle financial implementation	3.73	1.046
I prefer IFB because in my religious philosophy one should engage in transactions interest free financial system	3.74	.816
I Prefer Interest free banking products and services because they are Shari'ah compliant	3.72	.958
In my belief transactions involving with impermissible business activities are prohibited	3.81	1.090

Source: Survey result 2022

4.12. Customers perception on customer involvement in IFB in CBE

IFB customer involvement in CBE was analyzed in this section of the questionnaire. Participants were asked to rate their level of agreement with a series of six statements. The following table shows the mean and standard deviation for each item.

Customers' opinions of corporate concern averaged 4.04 out of 5 in the graph shown below. Respondents gave the bank's IFB product briefing session an average rating of 4.10. CBE's IFB had a high amount of customer engagement, with a mean score of 4.11 for assertions 3, 4, and 7 On a scale from 1 to 10, the degree of consumer involvement in IFB in CBE may range from low to high, with 1 denoting the lowest amount of customer involvement and 10 indicating the highest level.

Table 4.12. Customers perception on customer involvement in IFB in CBE

Variables	Mean	Std. Deviation
Based on the exposure I have with the IFB service, I know it cares about customers (Prime service)	4.04	.752
I gave feedback during IFB product briefing session arranged by the bank	4.10	.844
I believe Interest Free Banking products and services encourage involvement of customers	4.11	.885
I believe my relationship with Interest Free Banking is for better investment support	4.14	.732
I maintain good relationship with Interest Free Banking service.	3.78	1.180
I have strong interest to involve in Interest free banking products and service.	3.93	.939

Source: Survey result 2022

4.13. Comparison of respondents Perception on constructs of IFB in CBE

below show the overall means of all items for the IFB in CBE. According to the findings of the means relative advantage represented the highest overall mean score (mean=4.06).

Table 4.13. Comparison of respondents Perception on constructs of IFB in CBE

Construct	Mean score	Rank
Relative Advantage	4.06	1 st
Customer Involvement	4	2 nd
Awareness	3.93	3 rd
Perceived Risk	3.93	4 th
Complexity	3.92	5 th
Observability	3.89	6 th
Compatibility	3.82	7 th
Religious Views	3.75	8 th

Source: Survey result 2022

4.14. Correlation analysis

For the purpose of determining whether or not there is a significant connection between awareness, relative advantage, compatibility, complexity, observability, perceived danger, religious views, and consumer participation in the adoption of IFB, this study employed the Pearson's correlation coefficient. When attempting to ascertain how closely related two variables are to one another, the method that is utilized most frequently is known as Pearson's coefficient of correlation. If we assume that there is a linear relationship between the two variables, then the value of this coefficient will be expressed as a percentage (Kothari, 2004).

In the next part, the findings of the correlation analysis on the connection between the independent factors and the dependent variables will be presented. The correlation coefficients are linear and positive, ranging from moderate to high levels of strength, when it comes to the ties that exist between independent factors and their dependent variable.

Table 4.14. Correlation analysis

		Implementation
Awareness	Pearson Correlation	.632**
	Sig. (2-tailed)	.000
	N	357
Relative Advantage	Pearson Correlation	.559**
	Sig. (2-tailed)	.000
	N	357
Compatibility	Pearson Correlation	.572**
	Sig. (2-tailed)	.000
	N	357
Complexity	Pearson Correlation	.582**
	Sig. (2-tailed)	.000
	N	357
Observability	Pearson Correlation	.364**
	Sig. (2-tailed)	.000
	N	357
Perceived Risk	Pearson Correlation	.407**
	Sig. (2-tailed)	.000
	N	357
Religious Belief	Pearson Correlation	.510**
	Sig. (2-tailed)	.000
	N	357
Customer Involvement	Pearson Correlation	.345**
	Sig. (2-tailed)	.000
	N	357
**. Correlation is significant at the 0.01 level (2-tailed).		
*. Correlation is significant at the 0.05 level (2-tailed).		

Source: Survey result 2022

As it is clearly indicated in Table a moderate to strong and positive relationship was found between respondents Awareness and IFB implementation ($r = .632, p < .01$), Relative Advantage and IFB implementation ($r = .559, p < .01$), Compatibility and IFB implementation ($r = .572, p < .01$), Complexity and IFB implementation ($r = .582, p < .01$), Observability and IFB implementation ($r = .364, p < .01$), Perceived Risk and IFB implementation ($r = .407, p < .01$), Religious Belief and IFB implementation ($r = .510, p < .01$), and Customer Involvement and IFB implementation ($r = .345, p < .01$), which are statistically significant at 99% confidence level.

4.15. Multiple linear regression analysis

4.15.1. Assumptions Testing in Multiple Regression

A number of fundamental assumptions need to be satisfied before the regressed findings of the study can be considered reliable and valid over a diverse range of regression models. Because of this, the study used assumption tests such as autocorrelation and homoscedasticity, in addition to multi-Collinearity and outlier testing.

Sample size

The correlations between the different variables in the model are evaluated in order to perform a test for multi-collinearity. It would appear that the variables that are considered independent are related to one another in some way (above 0.3 preferably). There is a significant degree of connection between the utilization of IFB and all of the scales (independent variables) that were investigated ($r = .632, r = .559, r = .572, r = .582, r = .364, r = .407, \text{ and } r = .345$)

Multi Collinearity

In the method of multiple regression, the tolerance and variance inflation factors are utilized to determine whether or not the variables are colinear with one another (VIF). Tolerance is a measurement that determines how much of the variability of an independent variable is not explained by the variability of the other independent variables in a statistical model. If this value is extremely low (less than 0.010), it suggests that the multiple correlation with other variables is fairly strong, which suggests that multi-collinearity is likely (Pallant, 2010). The Variance Inflation Factor, often known as VIF, is the opposite of the Tolerance Value. As its name suggests, it is the antithesis of the Tolerance Value (1 divided by tolerance). According to Pallant (2010), VIF values that are more than 10 should give rise to concern since they suggest the presence of multi-collinearity. According to the findings, the tolerance values for each

independent variable are as follows: .379, .548, .730, .410, .515, .743, and .435; and .887 respectively. As a direct consequence of this, the hypothesis of multicollinearity has not been disproved. As can be seen from the VIF number, which is much lower than the cut-off value of 10, the VIF value varies from 2.640 to 1.127 and is substantially less than the cut-off value of 10.

Table 4.15.1.a Multi Collinearity

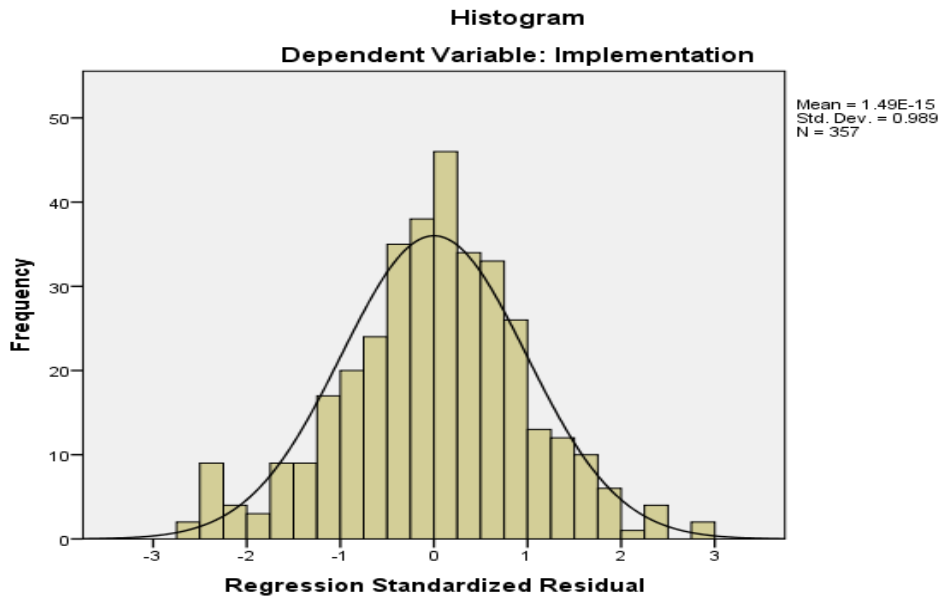
Variables	Tolerance	VIF
Awareness	.379	2.639
Relative Advantage	.548	1.825
Compatibility	.730	3.279
Complexity	.410	2.441
Observability	.515	1.941
Perceived Risk	.743	1.347
Religious Belief	.435	2.828
Customer Involvement	.887	1.127

Source: Survey result 2022

Normality and Linearity

Examining the residuals scatter plot and the normal probability plots of the regression standardized residuals, both of which were requested as part of the analysis, is one of the ways that these assumptions can be verified to ensure that they are accurate. Normal P-P plots of regression normalized residuals graphs are used to display these results. The points in a standard probability plot will be located along a pretty straight diagonal line that runs from the bottom left to the top right. This would seem to imply that there are no significant departures from the norm. The conclusion drawn from a normal P=P plot shows that the normality assumptions were not violated.

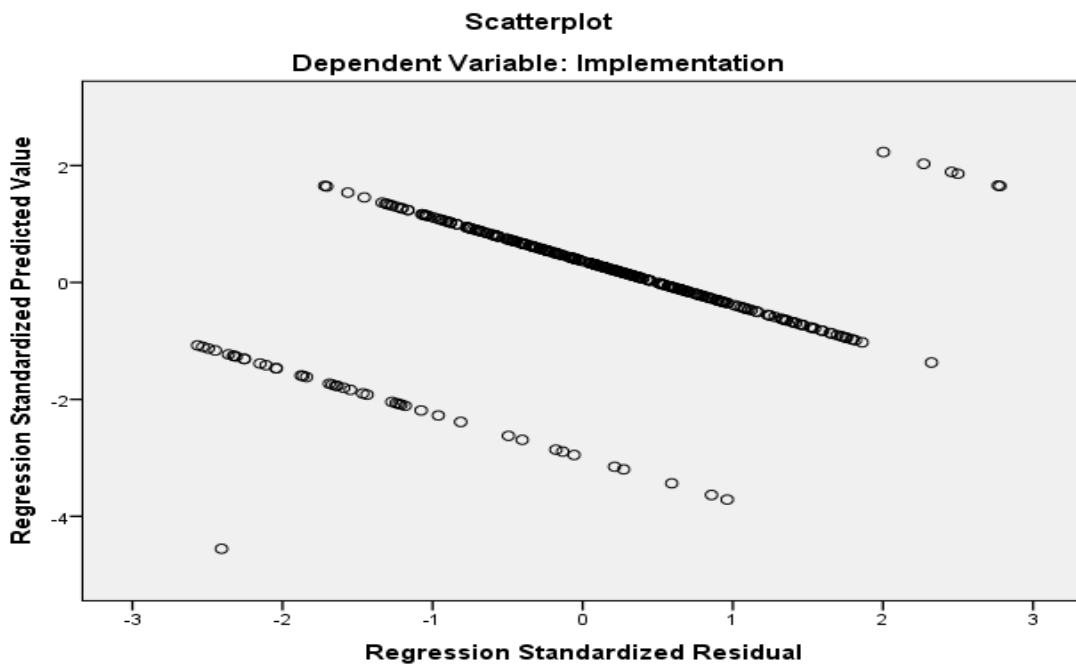
Fig 4.15.1.a Histogram of Regression Standardized Residual



Source: Survey Result

The study used both methods of assessing normality; graphically using Normal Probability Plot (P-P) graph and numerically using Skewness and Kurtosis. Figure 4.1, depicted that the scores are normally distributed.

Fig. 4.15.1.b Linearity scatter plot of regression standardized residual



Source: Survey Result

The value of kurtosis informs us how acute the apex of a frequency distribution curve is, in contrast to the value of skewness, which reveals the degree to which a distribution is symmetrical. Skewness and kurtosis both have values of zero for variables with normal distributions; any value other than zero indicates a departure from normality (Hair, 2010). 2.58 is the number that is generally considered acceptable for the (kurtosis/skewness) distribution. Therefore, the values of kurtosis and skewness for the variables are within the range that is presented in the table that is included with this analysis.

Table 4.15.1. b kurtosis/skewness distribution

Variables	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Awareness	357	-.914	.129	1.590	.257
Relative Advantage	357	-1.100	.129	.966	.257
Compatibility	357	-.368	.129	-.483	.257
Complexity	357	-.802	.129	.249	.257
Observability	357	-.698	.129	.648	.257
Perceived Risk	357	-.890	.129	1.842	.257
Religious Belief	357	-.192	.129	-.932	.257
Customer Involvement	357	-1.005	.129	1.009	.257

Source: Survey result 2022

4.15.2. Model Summary

Multiple regression analysis was employed to examine the influence of consultative selling (Customer Involvement, Observability, Complexity, Perceived Risk, Relative Advantage, Religious Belief, Awareness, Compatibility) on respondents' IFB implementation.

Table 4.15.2. Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.804 ^a	.647	.639	.22246
a. Predictors: (Constant), Customer Involvement, Observability, Complexity, Perceived Risk, Relative Advantage, Religious Belief, Awareness, Compatibility				
b. Dependent Variable: Implementation				

Source: Survey result 2022

The regression model explains how much of the variation in the measure of IFB implementation can be accounted for by the various factors of diversification. Customer Involvement, Observability, Complexity, Perceived Risk, Relative Advantage, Religious Belief, Awareness, and Compatibility are the characteristics that were used to predict the outcome of the study. 80.4 percent of adjusted R square, which suggests that 64.7 percent of IFB implementation could be described by the variance of the eight predictor variables.

4.15.3. Standardized coefficients

Table 4.15.3a Standardized coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.577	.139		4.155	.000
	Awareness	.171	.042	.212	4.102	.000
	Relative Advantage	.119	.028	.380	4.172	.000
	Compatibility	.186	.104	.328	3.782	.004
	Complexity	.050	.029	.285	3.707	.002
	Observability	.093	.028	.147	3.321	.001
	Perceived Risk	.143	.028	.191	5.165	.000
	Religious Belief	-.007	.086	.214	3.082	.000
	Customer Involvement	.087	.020	.348	4.376	.000

Source: Survey result 2022

The independent variables' significance values are all less than 0.05. A strong positive and statistically significant connection is shown to exist between the dependent variable (awareness) and the independent factors (relative benefit (compatibility), complexity (observability), risk perception (religious views, consumer engagement in IFB implementation) (IFB implementation). Standardization has assigned the IFB implementation a beta rating of 0.577. This shows that time has a significant impact on a consumer's overall level of satisfaction.

$$IMP = \alpha + \beta_1 (AWR) + \beta_2 (RA) + \beta_3 (C) + \beta_4 (CX) + \beta_5 (O) + \beta_6 (PR) + \beta_7 (RB) + \beta_8 (CI) + e$$

$$EC = 0.577 + 212AWR + 380RA + 328C + 185CX + 147O + 191PR + 214RB + 348CI + e$$

Where;

IMP = IFB implementation

AWR = Awareness

RA = Relative Advantage

C = Compatibility

CX = Complexity

O = Observability

PR = Perceived Risk

RB = Religious Belief

CI = Customer Involvement

Table 4.15.3.b ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.518	8	3.940	1179.609	.000 ^b
	Residual	17.222	348	.049		
	Total	48.739	356			
a. Dependent Variable: IFB Implementation						
b. Predictors: (Constant), Customer Involvement, Observability, Complexity, Perceived Risk, Relative Advantage, Religious Belief, Awareness, Compatibility						

Source: Survey result 2022

(F) Value is (1179) at 0.000 which states that there is statistically significant effect of variables on overall IFB implementation

4.16. Discussion of results

It was proposed that if more individuals were aware of the existence of IFB, this would help facilitate its implementation more effectively. The numbers presented in the table at the top make this very clear. IFB service awareness and implementation have been determined to be significantly related to implementation with a t-statistic of 4.102 and a p-value of .000, yielding an estimate value of .212 for the correlation. According to the findings, an awareness of Islamic banking has a substantial influence on the adoption of interest-free banking.

It is in line with the findings of other studies that have been carried out (Abdullah and Abdul Rahman, 2007; Rammal and Zurbrugg, 2007; Thambiah et al., 2011; Echchabi and Aziz, 2012b; Ayinde and Echchabi, 2012; Bizri, 2014). The findings of (Doraisamy et al., 2011; Abdul-Hamid et al., 2011; Aziz et al., 2015), Echchabi et al. (2014), which suggested that consumers' understanding of Islamic Banking had no significant impact on its adoption, are in conflict with one another. There is a discrepancy between these two sets of findings.

According to the hypothesis, a greater relative advantage may make it possible to realize improvements in the implementation of the IFB service. This may be seen clearly from the table that is located above. Considerable attention should be paid to the fact that the IFB service installation has a t-statistics value of 4.172 and an estimate value of 0.380. Both Nain Tara (2014) and Echchabi et al. (2014) discovered that customers' perceptions of their own relative advantages were the best predictors of whether or not they would use Islamic banking services. Consumers are more inclined to adopt Islamic banking if they believe it to be more favorable than traditional banking, as was discovered by Aziz et al. (2013), Thambiah et al. (2012), Echchabi and Aziz (2012b), Amin et al. (2013), and Echchabi and Aziz (2012c) (2015).

Compatibility has a beneficial impact on the acceptance of interest-free banking in CBE ($\beta = 0.328$, $p=0.004$). According to the research conducted by Echchabi and Aziz (2012b). This is consistent with the findings of Tan and Teo (2000), Fisher (2009), Chu (2009), Nor 2005 (as well as Puschelet, 2010), and To (et al., 2010; based on the findings of Tan and Teo (2000), Fisher (2009), Chu (2009), and To (et al., 2010); based on the findings of Tan and Teo (2008). Despite this, the findings of Teo and Pok (2003), Shih and Fang (2004), Al-Majali and Nik Mat (2010), and Beigina et al. contradict the conclusions drawn by these researchers (2011). The marketing and management strategies of the bank should place a high focus on adhering to shariah

compliance, religious value, customer-specific financial requirements, and secure investment. Doing so will ensure that these tactics are in line with the bank's entire business philosophy. When it comes to figuring out how the IFB service will really be put into action, compatibility is the second most critical criterion.

The influence of observeability is substantial at the level at which interest-free financial services are provided in CBE ($\beta = 0.147, P < 0.001$). This study demonstrates, in accordance with Lee et al. (2011) and Zhang (2008), that people's perceptions of a product's quality are connected to the product's actual performance.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

This study was motivated by three questions: What are the key factors affecting the implementation of Interest Free Banking service in commercial Bank of Ethiopia? Does customer involvement mediate the relationships between awareness, relative advantage, compatibility, complexity, observability and perceived risk on implementation of IFB service? And do religious beliefs moderate the relationships between awareness, relative advantage, compatibility, complexity, observability and perceived risk on implementation of IFB service?

- Because of the beneficial benefits that were brought about by customer engagement and religious convictions, the introduction of interest-free banking at Commercial Bank of Ethiopia was unaffected by the bank's relatively advantageous position. The negative impacts that were thought to be brought on by perceived complexity and danger were likewise should be considered.
- The relationship between parameters such as consumer awareness, perceived risk, relative benefit, compatibility, complexity, and visible complication was investigated for the very first time in connection to the influence that customer involvement has on the uptake of IFB services. The findings presented in chapter four indicate that customer involvement fully mediates the connection between the three factors of compatibility, perceived risk, and perceived complexity on the adoption of IFB service.
- According to the findings of the factor analysis, religious beliefs operate as a moderator in the link between the compatibility, complexity, and observability of an IFB service deployment and the intention to perceive danger. This effect is shown in the context of the intention to perceive risk. As a consequence of this, the CBE customers' utilization of the IFB service appears to be impacted, at least to some extent, by the religious perspectives they hold. According to this, a person's religious beliefs do not have any bearing on the manner in which IFB services are carried out.

5.2. Recommendations

The present study, which investigates how interest-free banking is carried out in Ethiopia, focuses on a customer who maintains an account with a commercial bank in Ethiopia as its primary subject. Because of this, people who wish to establish an interest-free bank or construct an organization that is analogous to it would benefit from this study, as will practitioners and stakeholders more generally. The findings of this study indicate, on the whole, that the perception of interest-free bank products is a factor that adds to the speed with which they are deployed. During the process of putting in place IFB services, here are a few points to bear in mind:

- Customers should be educated about the Shariah position on business transactions, a concept of profit-and-loss-sharing practice, and for whom it is offered by Islamic banking institutions such as religious institutions, Edirs, and family members. This education should take place within Islamic banking institutions. The marketing and promotion plan that the bank uses ought to be modified so that it takes these developments into account.
- In addition, for the bank to be successful in reaching its target population, it requires a well-planned and aggressive strategy for selling its IFB products through religious leaders, as well as through mainstream media and client sessions.
- The findings of the study indicate that interaction with customers was an essential factor in the accomplishment of the goal of installing the IFB service successfully. This is due to the fact that conventional banking does not need nearly as much connection with customers as interest-free banking does. As a consequence of this, the financial institution ought to organize client sessions on the subject of how to encourage consumers to make more use of the interest-free banking service's loan and deposit products.
- It is clear that people's religious beliefs continue to play a substantial impact in their decisions to purchase goods and services from IFB. In order to guarantee that the service is efficiently executed and that religious issues are handled, it is important to establish a clear structure for the establishment of the Shariah Committee of interest-free banking services.
- For this reason, officials and employees at commercial banks' interest-free counters need to regularly participate in training programs, seminars, and workshops on Islamic finance

as well as the standards and procedures of interest-free banking. This will allow them to educate customers about the implementation of interest-free banking service through their day-to-day activities.

- Lastly, in spite of the fact that the NBE already has a guideline in place, the NBE ought to take into consideration the possibility of delivering IFB goods in a separate facility, or at the very least in dedicated branches of conventional banks, in order to improve attitudes and encourage IFB adoption intention

5.3. Contribution

The results of this research provide significant additions to the existing body of knowledge, as well as to practitioners and stakeholders, as well as to policymakers and regulators, amongst other areas of interest. This work contributes a substantial amount to the existing body of knowledge that is accessible in the subject. This research has first and mainly contributed to a conceptually better understanding of the mechanics of interest-free banking in the Ethiopian setting. For the purpose of this investigation, the IDT framework now includes two more criteria: consumer engagement and religious beliefs. However, each one can have a significant effect on the distribution of IFB services. Third, the data that are currently available indicate that the primary considerations in IFB implementation are awareness, relative benefit, perceived risk, and complexity.

5.4. Limitation and Future Area of The Study

This investigation has been concentrated on the CBE district that is located in Addis Ababa. As a consequence of this, the inferences that may be taken from this specific scenario might not be applicable to customers of other banks or of CBE located in cities other than Addis Ababa.

Therefore, future study should

- In order to get an accurate picture of how successfully this service was delivered, a representative sample of the nation's financial institutions and geographic areas was investigated.
- This research might be repeated with longitudinal data and carried out on a much bigger scale for the goal of comparing and contrasting the characteristics of various geographical areas (nationally).

- The methodology used in this work has the potential to be expanded in order to conduct a more in-depth study of IFB if certain elements, such as culture, trust, and motivation, are taken into account.
- In order to carry out a full evaluation of the IFB ecosystem, it is possible to employ methods such as analyzing the influence that human perception, governmental laws, infrastructure, and organizational aspects have.

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QUESTIONNAIRE

Dear Sir/ Madam

This questionnaire will be used for conducting research for the Partial fulfillment of master's degree in marketing management at Addis Ababa University, School of Commerce.

I, Roza Fedlu, with the guidance and support of my advisor I am here to conduct a research survey on the Topic: "Factors affecting the implementation of Interest Free banking services. The Case of Commercial Bank of Ethiopia"

This Questionnaire is designed in two parts. Part one is designed to collect general information and Part two is designed to find out "Factors affecting the implementation of Interest Free banking". I kindly request you to respond to all questions and be assured that there is no right or wrong answer. Your honest and full response is invaluable for the success and accuracy of this Study. I am very grateful for taking your time and I like to assure you that your response will be kept confidential and will only be used for this Research purpose.

Thank you in advance,

Part I: General Information

In answering this part of the Questionnaire, please use a tick(x) mark in the respective box provided.

Gender	Male	<input type="checkbox"/>
	Female	<input type="checkbox"/>
Age Group	18-29	<input type="checkbox"/>
	30-39	<input type="checkbox"/>
	40-49	<input type="checkbox"/>
	50 and above	<input type="checkbox"/>
Academic Qualification	Certificate and below	<input type="checkbox"/>
	Diploma	<input type="checkbox"/>
	Bachelor degree	<input type="checkbox"/>
	Masters and above	<input type="checkbox"/>
Occupation	Self Employed	<input type="checkbox"/>
	Government Employee	<input type="checkbox"/>
	Private Employee	<input type="checkbox"/>
	Other	<input type="checkbox"/>
Monthly Income	<5,000	<input type="checkbox"/>
	5,000-10,000	<input type="checkbox"/>
	10,000-15,000	<input type="checkbox"/>
	>15,000	<input type="checkbox"/>

Part Two: Factors affecting the implementation

Please read each of the statements in each section and rate your level of agreement or disagreement with each statement by using a tick mark “√” on one of the five alternatives

No	Awareness	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I have an awareness of Interest free Banking products and services provided by CBE					
2	I am aware of the usefulness of interest free Banking products and services					
3	I know that all interest free banking products and services are free of interest					
4	I receive enough information about Interest free banking products and services					
5	I get enough information about how to proceed to get each Interest free banking products and services					
6	I receive enough information about the benefit of interest free banking products and services					
7	I never receive information about interest free banking products and services					

No	Relative Advantage	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Using Interest Free Banking products and services improved the quality of my financial dealings					
2	Interest Free Banking products and services are more reliable than conventional Banking services					
3	Interest Free Banking products provide cheaper cost of fund than conventional Banking services					
4	I feel using Interest Free Banking product will increase my revenue					
5	IFB is a convenient way to manage my finance					

No	Compatibility	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Interest free Banking products and services fit with my banking needs					
2	Interest free Banking products and services fit with my habit of using bank					
3	Interest free Banking products and services suite my religious belief					
4	Interest free Banking products and services are completely compatible with my current situation					
5	Interest free Banking products and services are compatible with social justice					

No	Complexity	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Interest free Banking products and services are too difficult to understand					
2	Interest free Banking products and services are complex to use					
3	Interest free banking transactions involve complex procedures					
4	It is simple to use Interest free banking products and services					
5	Observing Interest free banking products and service users before using IFBs is unnecessary					

No	Observable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I was affected by what I observed as the benefits of using Interest free banking products and service.					
2	I observed others using IFB service and saw the advantages of doing so.					
3	I have seen how others use IFBs before I use them.					

No	Perceived Risk	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Interest free Banking products and services may not meet my expectation					
2	It is risky to use Interest free banking products and services					
3	I fear of losing much money in case of Interest free Banking business loss					
4	The Interest free Banking products and services outcome were difficult to predict.					
5	There is a chance that there would be something wrong with the choice of the Interest free Banking products and services					

No	Religious Belief	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I believe IFB services is based on the Islamic principle financial implementation					
2	I prefer IFB because in my religious philosophy one should engage in transactions interest free financial system					
3	I Prefer Interest free banking products and services because they are Shari'ah compliant					
4	In my belief transactions involving with impermissible business activities are prohibited					

No	Customer Involvement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Based on the exposure I have with the IFB service, I know it cares about customers (Prime service)					
2	I gave feedback during IFB product briefing session arranged by the bank					

3	I believe Interest Free Banking products and services encourage involvement of customers	
4	I believe my relationship with Interest Free Banking is for better investment support	
5	I maintain good relationship with Interest Free Banking service.	
6	I have strong interest to involve in Interest free banking products and service.	

No	Implementation of IFB services (IMP)	Strongly Disagree	Disagree	Neutral	Agree	S
1	I know the bank has knowledgeable and experienced manpower to provide interest free banking.					
2	I think the bank has the necessary Islamic banking software to record interest free banking Transaction.					
3	I think that the bank provides its interest free banking products at convenient branches and adequate windows with the customer expectation					
4	I think that Segregation of fund from the conventional banking service activity is mandatory to attract the potential customer of interest free banking service.					
5	I believe that the bank has Well versed Shari'ah board members					
6	I think the bank has enough qualified scholars in Islamic banking to ensure that Islamic banking Services are up to date and fully comply with Shari'ah law.					