



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE

**The Effectiveness of Promotional Elements On Adoption of
Interest-Free Banking: A Case Study on Zamzam Bank S.C,**

BY

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ADDIS ABABA, ETHIOPIA

**THE EFFECTIVENESS OF PROMOTIONAL ELEMENTS ON ADOPTION OF
INTEREST-FREE BANKING: A CASE STUDY ON ZAMZAM BANK S.C,**

BY

AYMEN MOHAMMED

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY, SCHOOL OF
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ADVISOR: BEZA LIBEYESUS (Ph.D.)

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APPROVAL SHEET

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CERTIFICATION

This is to certify that Mrs. Aymen Mohammed has completed her thesis work entitled "The Effectiveness of Promotional Elements On Adoption of Interest-Free Banking: A Case Study on Zamzam Bank S.C," As I have evaluated, her research is original work and appropriate to be submitted as a partial fulfillment requirement for the Award of Degree in Masters of Arts in Marketing Management.

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DECLARATION

I, Aymen Mohammed, hereby declare that the thesis entitled "The Effectiveness of Promotional Elements On Adoption of Interest-Free Banking: A Case Study on Zamzam Bank S.C," is my original work and submitted by me for the award of the Degree of Masters of Arts in Marketing Management of Addis Ababa University at Addis Ababa and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution and that all sources of material used for the study have been appropriately acknowledged.

Aymen Mohammed

Student

Signature, July 2023

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Definition of used terms

IFB: Interest free Bank

CB: Conventional Bank

PLS: profit and loss sharing

PEE: Promotional Elements effectiveness

AIFB: Adoption of Interest free Banking

MLR: Multiple linear regression

IDT: Innovation Diffusion Theory

Sharia: Islamic Law

Rab-ul-Mal : owner of the capital

Riba: Interest

Zakah: One of the five pillar of Islam that oblige capable Muslims to give away a yearly regular donation of (2.5% of non-fixed asset their wealth) to good causes.

Murabahah: Cost-Plus Sale Contract

Mudarabah: Silent Partnership, Profits are shared: losses are by the capital contributors

Mudarib: An entrepreneur or a labor provider

Ijarah: Lease Financing

Musharakah: Equity Partnership

Istisna: progressive financing

Salam: Forward Trade Contract

Wadiah: Safekeeping under guaranteed custody

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II. ACRONYMS AND ABBREVIATIONS

AD: Advertising

AIFB: Adoption of Interest free Banking

CB: Conventional Bank

DM: Direct Marketing

IDT: Innovation Diffusion Theory

IFB: Interest free Bank

MLR: Multiple linear regression

PEE: Promotional Elements effectiveness

PLS: Profit and loss sharing

PR: Public Relations

PS: Personal selling

MLR: Multiple linear regression

III Abstract

Interest-free Banking is a rapidly growing industry in Ethiopia, and as competition increases, the importance of effective promotion techniques becomes paramount. This research examines the effectiveness of promotional elements on the adoption of Interest-free banking services at the first fully-fledged IFB, Zamzam Bank. The objective was to understand the impact of advertising, public relations, direct marketing, and personal selling, on customer's adoption of Interest-Free banking. Using an explanatory research design, a total of 280 customers in 9 different districts of Zamzam participated in this study. Stratified probability sampling was used to select the distinct and convenient non-probability sampling was used for in the selection of the targets to collect primary data through self-administered questionnaires. The data were coded and analyzed with the help of SPSS 21.0. The findings showed that the overall promotional elements accounted for 58.7% variation in the overall adoption of Interest-free banking. It is evidenced that all the elements of promotional elements activities had positive and statistically significant effects on the adoption of IFB. Specifically, public relation had relatively the highest effect on the adoption of IFB. However, direct marketing and personal selling had less effect on the adoption of IFB at Zamzam Bank. The study indicates that when these promotional elements are combined and complemented with each other, they can substantially enhance the adoption of IFB. The study further provides practical recommendations for the bank to enhance its promotional techniques to improve adoption rates.

Keywords: Advertising, Public Relation, Direct Marketing, Personal Selling, Zamzam bank S.C,

CHAPTER ONE

1. Introduction

1.1 Background of the study

Interest-free banking (IFB) which is also commonly known as Islamic banking is a banking system that operates in accordance with the principles of Shari'ah law (Islamic Law) guided by Islamic economics. It means that the financial products and services offered by the bank adhere to Islamic ethical and moral standards which prohibit the banks to charge or pay interest also commonly called Riba (Edwin, 2014).

Ethiopia introduced an interest-free banking window in its financial system in 2011 and full-fledged interest-free banking by the end of 2018. As per Jemal (2021). At the end of December 2020 banks in Ethiopia mobilized a total deposit of Birr 76 billion from their IFB window activities and total outstanding financing extended to the economy reached Br. 17.76 billion. According to Capital (2022), Oromia Cooperative alone was able to earn a profit of 3.95 billion birr before depreciation and provision during the 2021/22 FY. The interest-free deposit collected by the bank alone was ETB 17.12 billion.

However, although conventional banks offering IFB in subsidiaries seem to be doing well, the fully-fledged IFB service that is being offered by banks such as Zamzam Bank, where this study is conducted is still in its infancy and is expected to struggle in its operation to some extent since it will have to compete with a banking system that has already penetrated in the market. The conventional banking system has the advantage of offering both IFB services as well as regular service in contrast to banks such as Zamzam Bank the only rely on IFB service. Conventional banking has advantages in other aspects also, including in the interest rates, which IFB does not deal with, and the misconception that is yet to be cleared regarding IFB as a whole. The common misconceptions regarding IFB are that people view the banking system as though the service is presented only for Muslims. One reason for this misconception is the

terminologies which are usually Arabic terms that are being used when the IFB product is being promoted to the public. According to Loo (2010), product names such as Wadiah, Murabah, and Murabah can be quite foreign and difficult to distinguish for everyone and for the non-Muslim community in particular. Sometimes, staffs also possess inadequate knowledge of the products and they find it difficult in explaining the differences between IFB and conventional banking to the customers. Thus, measuring the effectiveness of the promotional elements is crucial. In this case, as has been identified by (Al-Shaer, 2013) measuring personal selling effectiveness allows banks to evaluate the performance of their sales team and identify areas for improvement. Bank representatives should also be knowledgeable about the needs and goals of their customers, so they can tailor their sales pitch to align with those needs.

As according to Marshall (2003) The goal of marketing efforts, especially of advertising and other promotional activities is to draw in customers by creating brand awareness and highlighting the benefits of the products or services offered. With regards to IFB, for the longest time, it has been anticipated that Muslim consumers will show a preference towards IFB over all other available options offered by their conventional counterparts. IFBs have generally been expected to pay less effort into promoting their service compared to conventional Banks, as religious affiliation is supposed to give them the desired competitive advantage. However, although it is expected that a significant portion of IFB customers chooses the IFB system for solely religious reasons, there are a considerable amount of people and institutions that choose a banking system based on service quality and profitability. Hence, IFB services and products just like any other commodities and services need to be promoted to influence demand by making the products attractive and easily available to the target customers.

Promotion is a method through which organizations aim to communicate with their target audience directly. Interest-free banking is yet to make penetration into public consciousness. Despite the enormous potential it represents for the banking industry, there is a clear information gap among pioneering entrepreneurs, investors as well as institutions that are yet to explore the opportunities IFB offers. Thus, measuring the effectiveness of public relations used by Zamzam bank allows the bank to evaluate the

impact of their communication efforts on key stakeholders. In addition (Kausar,2020) notes measuring the effectiveness of advertisements allows banks to optimize their marketing efforts. By understanding which aspects of their ads are resonating with their target audience and which ones are not. Furthermore, Furthermore, measuring effectiveness of direct marketing provides insights into customer preferences and behaviors.

The five elements of the promotional mix are utilized to carry out this process. I.e. Advertising, direct marketing, personal selling, public relation, and sales promotion (Edwin, 2014). To delimit the broadness of the topic the researcher choose 4 of the promotional mix that is being used regularly at the bank, which is advertising, public relation, Direct Marketing, and Personal selling to investigate how effectively they are being used at ZamZam Bank. To contribute to fulfilling the existing gap the researcher got motivated to conduct the research and the researcher aspires for this research to be a contribution to the development of sound promotional strategies for ZamZam Bank which solely offer IFB service.

1.2 Background of the Company

The first initiative to bring Islamic banking service where taken by the founders of ZamZam bank. After obtaining the permission from NBE it had managed to raise double of the then required minimum amount set for new banks. However after going through the necessary preparation required to establish the bank, NBE issued a directive that only allows providing IFB service through dedicated windows in conventional bank branches. (Dino, 2022)

Zamzam bank is credited with being the pioneer of interest free banking in Ethiopia, having introduced the idea to the country. However, it had to face numerous challenges and obstacles over course of a decade to finally reap the rewards of its efforts. Almost 15 years after it was first established in 2007 to become Ethiopia's first full-fledge Islamic bank, in 2019 the repeated appeal were taken positively by the government that allowed the long waited opening of the first-full fledge interest free bank. Within few months from announcing sales of share, the bank managed to collect close to br. 900

million which was almost double of the minimum requirement set at the time of the application. As of June 2022, the bank paid up capital increased to 1.341 billion. On the other hand the bank has so far managed to mobilize value of deposit of birr 1.578 billion (ZamZam, 2022)

The primary method for securing funding and generating revenue for the bank is through the collection of deposits in resource mobilization. All deposit products offered in Interest-Free Banking strictly adhere to the principles of Shari'ah. Zamzam has introduced some of the investment & deposit products and services. The investment deposits is; Various Wadiah types of saving deposit which is a trust agreement where the bank keeps funds of depositors who want to place their funds under safe custody without any benefit. It is a safekeeping service that allows customers to access their deposited money at any time for an indefinite period. The other type of accounts that will be introduced is Mudarabah accounts in which ZamZam Shares profit and loss from investments with its customers (investors). It is an investment account where customers deposit money for unspecified period of time and he/she will share both the profit and loss based on the pre agreed ratio after deploying the fund in any permissible activities chosen by the bank. (Zamzam, 2022)

Zamzam bank has intended to gradually introduce all types of Interest free financing products, which can be largely be categorized into three, as: is Equity (direct ownership) such as the banking product called Musharakah (Profit and Loss Sharing through partnership venture). Second is Trade financing; such as Murabah (financing based on a markup). The third is Asset backed financing or leasing though products such as is as Ijarah (giving an asset or service out on rent). Currently, the bank is actively working towards increasing its reach by expanding its branch network in both the capital city and other regions across the country. (ZamZam, 2022)

1.3 Statement of the problem

The core problem that exists is noted to be the minimized efforts by Islamic banks overall to promote their business model, inadequate promotion of the service in addition to not effectively promoting it. Religion being the primary driver of Muslim clients to

engage with an Islamic bank could mean a double-edged sword. It could prove to be a threat to the future of Islamic banks in the country if they are unable to highlight core benefits of the service other than being Islamic. Therefore, IFB needs to diversify its customer base and find ways to attract customers beyond those motivated solely by religion. On the other hand, the strong pull of religious beliefs could result in a loyal customer base for these banks, which could serve as a stable foundation for growth and prosperity. Furthermore, it is evident that non-Muslims and Muslims alike experience difficulties in terms of grasping the concept of the overall system and principles of IFB. The sophisticated Arabic terms used for IFB products did not make it easy. Accordingly, there is a prevailing theory that such research could be essential in investigating and revising the promotional mix used to promote IFB.

In Malaysia, where IFB has been operating for nearly four decades, non-Muslims account for roughly 40% of the IFB clients. There are major explanations for growing non-Muslim interest in IFB. Preliminary, the ethics of IFB appeals to all, cutting across religious boundaries. Subsequently, IFB products add variety to the existing range of financial products with more choices and create competition providing more space for financial diversification, innovation, and sophistication. As have been stated by Alam et al., 2019, Interest-free banks often provide financing options for projects that may not be feasible under conventional financing schemes. These banks prioritize risk-sharing and cooperation over the dependence on collateral-based lending that is typical of conventional. The risk-sharing characteristic of Islamic banking is one of its defining features that sets it apart from conventional banking and makes it an attractive option for those seeking a more equitable and flexible approach to financing.

A study by the World Bank, 2021 which investigated the country's banking system and explored the feasibility of developing an interest-free banking system in the country. Investigated the challenge interest-free banking might have when promoting an interest-free bank in Ethiopia, as according to the study, there may be several challenges or problems that can occur. One of the key problems is the lack of awareness and understanding among the general public about the concept IFB. Many people in Ethiopia may be unfamiliar with the principles of Islamic finance and may not understand the benefits and implications of interest-free banking. Ethiopia has a diverse population with different

cultural and religious beliefs. Some individuals may have reservations about adopting IFB due to their cultural or religious beliefs. It may be difficult to overcome these reservations and convince people to switch to this banking system. IFB requires specialized expertise to understand and implement Shariah-compliant practices. It may be a challenge to find individuals with the necessary expertise in Ethiopia. Conventional banks have a well-established presence in Ethiopia, and many individuals may already have accounts and relationships with these banks. Overcoming the competition and convincing customers to switch to interest-free banking can be challenging. In promoting IFB, some potential customers may perceive interest-free banking as riskier compared to conventional banks. This perception can stem from a lack of familiarity with the principles and operational aspects of interest-free banking. Overcoming this perception and building trust can be a challenge. In studying the effectiveness of promotional elements gives idea how effective ZamZam Bank is using the promotional elements to address these challenges.

numerous studies that have been carried out internationally on similar topics, such as, A research study by Ahmed, 2019 in Malaysia on the topic of “The Impact of Advertising in Islamic Banking: Analyzing the effectiveness of different advertising channels and strategies in promoting Islamic banking products and services.” found the use of advertising channels such as print media, television, radio, and online platforms helps raise awareness about Islamic financial products and services, emphasizing Sharia-compliant features and ethical values. However, there is still much to be studied about the topic at hand in Ethiopia, particularly about how effective promotional tools are being used in promoting IFB towards its adoption.

1.4 Research Questions

1. How effective are the advertisements at ZamZam bank S.C in influencing customers towards adoption of IFB?

2. To what extent does the public relation practice of ZamZam bank S.C influence customers towards adoption of IFB?
3. Does direct marketing at ZamZam bank S.C have significant effect on customers towards adoption of IFB products?
4. Do the personal selling practices at ZamZam bank S.C have significance in influencing customers towards adoption of IFB?

1.5 Objectives of the study

1.5.1 General Objective

The objective of this research is to examine the major promotional elements practiced at Zamzam bank in their effectiveness of influencing customers towards adoption IFB service.

1.5.2 Specific Objective

1. To investigate how effective the advertisements are at ZamZam bank S.C in influencing customers towards adoption of IFB.
2. To determine to what extent public relation practice of ZamZam bank S.C is influencing customers towards adoption of IFB.
3. To examine the significance of direct marketing at ZamZam bank S.C is influencing customers towards adoption of IFB products.
4. To determine the significance of personal selling practices are at ZamZam bank S.C in influencing customers towards adoption of IFB.

1.7 Significance of the study

Studying the effectiveness of promotional elements in banking services is crucial for

financial institutions to attract new customers, differentiate themselves from competitors, increase revenues, build their brand, improve customer engagement, and expand their market reach. This study can help shape effective promotional strategies that are essential for the success of the banking service.

Ethiopia still has a large percentage of un-served market in the banking sector. According to the World Bank, only 35% of Ethiopian Adults currently enjoy access to a bank account, meaning 43.7 million citizens lack to save borrow or make payments. (Humayon, 2022) Ethiopia is well-positioned geographically to become a regional hub for interest-free banking. Conducting such studies is crucial in gaining a deeper understanding of the promotional elements used at the bank and for the IFB financial sector to improve its operation. It could be also be used in directing attention to those strategies bringing results.

Although IFB services are Shariah-compliant any perception of interest-free banking that is seen as a religious phenomenon must be dispelled urgently and should be marketed as an institution that accommodates all communities. It should be clear that it is a business model just like the conventional banking sector. Thus, should be promoted, presented, and developed as such.

By studying the effectiveness of promotional tools in banking services, the bank can develop and implement marketing strategies that improve customer acquisition rates. Effective promotional tools can attract new customers and increase customer loyalty and retention. More effective promotional elements can give banking institutions a competitive advantage by differentiating their offerings from those of competitors. For example, an effective advertising campaign for an IFB product may make it more appealing than a comparable product from a conventional bank.

Although IFB has played a major role to accommodate the Muslim population who otherwise were to some extent excluded from financial institutions due to religious reasons, which in turn have the potential in leading to higher financial inclusion and an acceleration of economic growth, Islamic banking in Ethiopia have not made sufficient use of their natural competitive advantages within the Muslim community. Additionally, given the principles with which they are conforming, non-Muslims should also be

attracted to the services provided. It is believed that including this large segment of the population in the financial service will expand the market share of IFB services. This study will therefore be important to make essential improvements in promoting the banking system to be able to maintain its current customer as well as attract new ones. It's believed that this will be an important stepping stone as the subject matter has not been adequately addressed in Ethiopia. Furthermore, adequately trained human resources are required for the development and promotion of IFB. Such studies are believed to encourage human capital development. This means that, it will potentially encourage employees to know their customers more and how to engage with them.

1.8 Scope of the study

This study focused on conducting an investigation on the effectiveness of promotional elements in influencing adoption of IFB at Zamzam Bank S.C. Because of time constraint there are few more types of promotional practices they were left out to limit the broadness of the study. In this research only those elements that are being regularly used by ZamZam bank were chosen. The study primarily focuses on (Advertisement, Public relation, Direct Marketing and personal selling) as independent variables and adoption of IFB being dependent variable.

Because of time constraint the study has limited itself geographically to surveying 9 Addis Ababa city branch customers of Zamzam Bank. The 9 branches under consideration were chosen based on the time they have been operating and number of customers they serve.

1.9 Organization of the Study

The research paper is structured into five sections.. The first chapter presents the background of the study, the problem statement, the objectives, the scope and

significance of the study. In the second chapter, the literature review will be presented. The research methodology that incorporates research design, data collection instrument, data collection approaches, structure of the questionnaire, data analysis approach, validity and reliability and ethical concerns will be presented in the third chapter. Afterwards, the detailed data analysis and interpretation will be discussed in the fourth chapter. Finally, the summary findings, conclusion and recommendations will be presented the last section, chapter five.

CHAPTER TWO

2. Review of the Related Literature

2.1 Theoretical framework

2.1.1 Philosophy of Interest Free Banking

The philosophy of interest-free banking is to create a just, equitable, and sustainable financial system that promotes economic growth while avoiding the instabilities that accompany traditional banking. Its principles underscore sound lending practices, equitable access to credit, risk-sharing, social responsibility, and collaboration between financiers and entrepreneurs. (Mirakhor, 2000). Interest-free banking is a type of financial system that aims to eliminate the charging of interest rates on loans and other financial transactions. This type of banking is mainly based on Islamic principles, where charging or paying interest is considered to be contrary to the principles of fairness and social justice. Interest-free banking uses a profit and loss sharing system, where the lender and borrower share the risk and the profit or loss incurred in the transaction (Edwin, 2014). The philosophy of interest-free banking rests on the belief that money should be used as a means of exchange and not as a commodity for generating profit. This type of banking aims to promote ethical and sustainable economic development, as it encourages investments in productive and socially beneficial activities that can generate genuine profits for both parties. (Hassan and Ahmed, 2001).

2.1.2 Basic Principles (Features) of IFB

Islamic banking is a distinct banking model that is free of any transactions that are considered prohibited in Islam. In order for a bank to be categorized as an Islamic bank, it must adhere to the following fundamental principles in its operations. (Mirakhor, 2000).

a) **Prohibition of interest (Riba):** Islamic banks generally abide by the Sharia law which prohibits the practice of charging interest on loans. Instead, they practice a form of 'risk-sharing' with their customers, which is known as 'profit-and-loss sharing' (PLS). Islamic banks are required to share the profits and losses with their customers, by sharing the risk involved in their investments. This means that the customer is required to share the risk of a loan, and the bank is not allowed to receive interest on the loan. Instead, the bank may take a share of the profits that the customer makes from the loan.

b) Prohibition of speculation (gharar): Prohibition of speculation (Gharar) in Islamic banking refers to the prohibition of any kind of risky or uncertain transactions. This includes prohibiting any kind of gambling, excessive uncertainty in the terms of a contract, and any kind of deceit or fraud. In addition, any kind of speculation or speculation-like activities are also prohibited. This principle is designed to protect the interests of the bank and its customers. It also aims to prevent any kind of exploitation or unethical practices and to ensure a safe and secure banking system.

c) Profit, loss, and risk sharing: In Islamic banking, profit, loss, and risk sharing is implemented through the concept of profit and loss sharing (PLS). This concept allows customers to share in the profit and loss of a particular transaction or venture. Through PLS, customers share the risks and rewards of the venture, allowing them to benefit from the profits while also bearing the losses. This is a key feature of Islamic banking that makes it distinct from conventional banking.

d) Shariah approved activities; Islamic banks operate in accordance with Shariah principles, which include avoiding activities that are considered sinful or unethical, such as usury and gambling

e) Social Justice: Islamic banks operate according to Islamic law, which states that all parties must be treated fairly and ethically. This is the basis of social justice in an Islamic bank. Customers receive benefits such as no interest on their loans, as Islamic law does not permit the charging of interest.

f) Compulsory payment of zakah: It is mandatory for an Islamic bank to pay zakah. Zakat is one of the five pillars of Islam.

g) Sharia advisors: Every Islamic bank must be regulated by experts in Islamic law who will have to audit the operations of Islamic banks and their products to make sure that they comply with Shari'ah guidelines.

2.1.3 Modes of Operation in IFB in promoting IFB

The modes of operation of IFB are numerous. Below, however, we restrict ourselves to that popular and are being planned to be used in Ethiopia, as for now only Murabah is

being used in Ethiopia. According to Kettell (2011), some of the IFB products and sources of mobilization of products are shown as follows. And how they are being used in promoting IFB as a whole.

A) Murabah (Cost-Plus Sale Contract): A type of Islamic banking transaction which allows customers to purchase goods on credit. In this type of contract, the bank purchases the goods from the supplier and then sells them to the customer at a higher price. The difference between the two prices is the bank's profit, which is also known as mark-up. The customer is then required to pay the bank the cost of the goods plus the mark-up in installments. It is important to note that the bank does not charge interest, as this is not allowed in Islamic banking. A study on the topic of "Murabahah Practices in a Sharia Perspective and Sharia Accounting in Indonesia" by Aji, 2019 explored the practice of Murabahah financing and its accounting treatment in Indonesia. It explores various aspects, including the legal framework, operational procedures, and role of Sharia accounting. The study provides insights into the practical aspects of Murabahah financing within the Indonesian context.

B. Mudarabah (Silent Partnership): an Islamic financing agreement in which two parties, the investor (Rab-ul-Mal) and the entrepreneur (Mudarib), enter into a profit-sharing arrangement. The investor provides the capital and the entrepreneur provides the management and labor. The Mudarib is responsible for the management of the venture and will receive a portion of the profits in return for his services. At an Islamic bank, mudarabah is implemented by entering into agreements with customers to provide them with financing. The bank acts as the Rab-ul-mal and provides the capital while the customer acts as the Mudarib and manages the venture. The bank will receive a predetermined share of the profits in return for its investment. The customer will receive the remaining profits. The customer is also expected to repay the loan amount plus the agreed upon profit share to the bank. A study by Mehedi & Masud (2015) on the topic of : "Mudarabah Financing and Profit Distribution in Islamic Banks: A Literature Review" evaluates the role of Mudarabah financing and profit distribution in Islamic banking. It analyzes the challenges and opportunities associated with implementing Mudarabah contracts and provides insights into the mechanisms and models used for

profit sharing.

C) Musharaka (Equity Partnership): Musharakah Equity Partnership is an Islamic banking contract, which is based on the Islamic principle of shared ownership. It is used when two or more parties join together to finance a project or venture. At an Islamic bank, customers are typically the financier of the project. The bank enters into a partnership with the customer on the basis of joint ownership, where both parties have to bear the risks and profits associated with the venture. The customer will invest part of the capital required for the project and the bank will provide the remaining capital, in the form of a loan. The bank and customer then agree to a predetermined profit/loss sharing ratio. The customer can be entitled to a predetermined percentage of profits, while the bank will receive a predetermined percentage of losses. A previous research by Salehudin & Arshad (2020) on the topic of "Comparative Analysis of Musharakah and Debt Financing: Evidence from Islamic Banks in Malaysia" compares the performance and risk characteristics of Musharakah financing with debt financing in Islamic banks in Malaysia. It assesses the financial viability of Musharakah contracts and their potential contributions to economic sustainability.

2.1.4 Promotion of IFB

Promoting Islamic banking products is crucial for the growth of the industry. Religious beliefs, trust, awareness, and service quality are significant factors that can promote the adoption of Islamic banking products. Islamic banks need to develop and implement effective promotional strategies to create awareness of their products and services and to convince potential customers to engage with them (Iqbal and Molyneux, 2005)

One of the crucial elements that need to be considered to promote the adoption of Islamic banking products is religion. Many customers choose Islamic banking because they believe that it is consistent with their religious beliefs, and it aligns with the principles of Islam. A study by Iqbal & Molyneux (2005) revealed that Islamic banking customers are willing to pay higher fees for banking services of their religious beliefs. Trust is another significant factor that promotes the adoption of Islamic banking products. Customers view Islamic banks as being more reliable than conventional

banks due to the higher level of transparency, accountability, and ethical principles. This trust is built on the principles of profit and loss sharing (PLS), and this has helped Islamic banks to garner a loyal following among customers who value transparency.

Another factor that promotes the adoption of Islamic banking products according to Iqbal & Molyneux, (2005) is the level of awareness of the basic principles of Islamic finance. Customers who understand the principles of Islamic banking products appreciate their ethical and risk-sharing nature, which makes them more attractive as a banking alternative. Promotional activities, such as advertising and personal selling, can be used to increase awareness of the principles of Islamic banking and can encourage customers to engage with these products.

Service quality is another factor that promotes the adoption of Islamic banking products. Customers are willing to switch to Islamic banks if they perceive the service quality to be higher than that of conventional banks. One way to establish this perception is through promotional activities like advertising, public relations, direct marketing and personal selling.

2.1.5 The promotional elements in promoting IFB

I. Advertisement of IFB

Advertising plays a significant role in promoting IFB and its products. Ali & Rahman (2015) state, the promotion element can be an effective tool for increasing awareness, improving the reputation, gaining market share, differentiating from conventional banks, and improving the perception of risk associated with Islamic banking. Measuring the effects of advertising is very important, given the number of investments needed for advertising Brassington & Pettitt (2000) defined advertising as any paid form of non-personal communication directed towards target audiences and transmitted through various mass media in order to promote and present a product, service or idea. However, according to Zulfiqar (2012), for Islamic product advertisement, a brand should fulfill all aspects of Islamic laws and norms before being presented to its

consumers. However he also acknowledged these conditions cause concerns, that is a boundary in terms of how aggressive messages could be, and the context in which they are transmitted may hinder communication and limit awareness of IFB and restrict their adoption both among Muslims and non-Muslims alike. As a result, advertisements may not significantly influence the adoption of IFB. Especially, within the non-Muslim community.

As noted by Mirakhor & Askari (2010) one of the primary advantages of advertising in promoting IFB is that it increases awareness about their services and products. In countries where Islamic finance is not prevalent, advertising can help build a positive image for Islamic banking and make people more familiar with the concept. This can lead to an increase in demand for Islamic banking products and services. Advertising can also help improve the reputation of Islamic banks. Alcácer & Iqbal (2016) argues that advertising campaigns can highlight the ethical and moral principles that reinforce Islamic banking, which can help create trust and credibility among customers. Effective advertising campaigns can also help differentiate Islamic banks from conventional banks and build their unique brand identity.

Sultana & Esa (2015) supports the claim that Islamic banks face intense competition from conventional banks, but advertising can help attract new customers and persuade them to switch from conventional banks. As suggested by Farooq & Jabeen (2019) This is especially true when the advertising campaigns stress the benefits of Islamic banking, such as the profit and loss sharing principle, which may be more desirable for some customers. Advertising can also help to improve the perception of risk associated with Islamic banking. Since Islamic banking is a relatively new concept, many people may not understand the underlying principles of Islamic finance and may view it as risky. However, advertising campaigns can help educate the public about the transparency and accountability that underpins Islamic finance. This can help to increase trust and reduce the perceived risk of Islamic banking products and services.

II. Public relation

The essence of public relations is to look after the nature and quality of the relationship

between the organization and its different publics and to create a mutual understanding with them (Brassington & Pettitt, 2000). As has been noted by Mekonnen & Berhe (2019), despite the growth of the Islamic finance industry in recent years, many people still have limited knowledge and understanding of the concept of Islamic banking. In this context, public relations (PR) can be a powerful tool in promoting Islamic banking and raising awareness of its benefits

Ling & Chek (2019) suggests, In order to build a strong relationship with stakeholders, Islamic banking facilities need to facilitate the understanding of Islamic banking products and services being offered. Better consumer education will assist in making people more aware of Islamic products. Most of public relations practitioners explain Islamic banking policy through corporate websites and social media. The role of public relations practitioners is to update information about Islamic banking products such as why compound interest is banned and how commercial dealings are based on the principle of profit and loss sharing. This information is essential because it can educate the public about Islamic Banking and how it differs from conventional banking (Brassington & Pettitt, 2000). PR for Islamic banking should aim to educate the public about the principles of Islamic banking and its unique features, which include Shari'ah-compliant financial products and services.

According to Ridwan (2012), one key aspect of PR is to build and maintain relationships with existing and potential customers. This can involve engaging with individuals and organizations on social media, providing educational and informative content, and participating in community outreach programs. PR for Islamic banking should also address any misconceptions or questions that people may have about Islamic finance. This can involve providing clear and concise explanations of the Shari'ah-related aspects of Islamic banking and dispelling any myths or misunderstandings.

Edwin (2014) argues the focus on Arabic as the main communication language for Islamic banks ignores non-Arabic speakers and that the perception that Islamic banking is only for Muslims misses out on a significant potential market segment. The limitation of public relations within the IFB is stated to be that the majority of the employees come from a conventional banking background and/or from conventional PR and

communications agencies, a fact which affects the ability of the communications team to accurately transmit Islamic banking principles through the different channels.

III. Direct Marketing

Direct marketing consists of direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships (Kotler & Armstrong, 2005). It is the use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen. Kotler and Keller (2006) suggest that direct marketing allows marketers to better target niche markets, and allows marketers to sell a product without the expensive and lengthy process of getting it into traditional channels. (Bickman, 2008) stated a variety of tools of direct marketing which are through e-mail, mobile phone, internet, billboards, television, mail, radio, telephone, newspaper, and magazines.

Iqbal & Molyneux (2005) suggests that direct marketing can be an effective strategy for promoting Islamic banking services and products. Direct marketing involves targeting specific individuals or groups with a personalized message that is meant to encourage them to take action and use the services being offered. In the context of Islamic banking, direct marketing can be used to communicate the benefits of Islamic finance products and services, such as ethical banking practices, profit-sharing schemes, and no interest rates. Through targeted communications, direct marketing can help build a sense of trust with potential customers who may be unfamiliar with the concept of Islamic finance.

However, Iqbal & Molyneux (2005) states that it is also important for direct marketing messages to be ethical and transparent. According to Islamic principles, advertising should not make false or misleading claims, and products and services must be presented accurately and honestly. Direct marketing messages should be informative and educational, rather than focused solely on sales or promotions. In addition, direct marketing in Islamic banking should be conducted in a way that is respectful of cultural and religious sensitivities. For example, marketing materials should adhere to Islamic principles related to modesty and avoid images or content that may be considered

offensive. By doing so, the Islamic finance industry can build a positive reputation and attract more customers who are looking for ethical and socially responsible financial services.

IV. Personal selling

Personal selling is found to be one of the most effective and popular forms of promoting bank business. As has been noted by Ali & Rahman (2015) the main reason for this is that banking is a service in which trust plays a very important role. In personal selling, a bank representative goes to the customers and explains the scheme to the customers. Also, he gives the customers any kind of consultation they might need. He provides the customers with all the information sought by him. The representative tries to persuade the customers to go for the scheme provided by the bank by telling them all the benefits. (Brassington & Pettitt, 2000).

Personal selling plays a crucial role in the success of Islamic banking. Personal selling allows banks to educate customers about Islamic banking products and services, build trust, and provide a personalized and tailored sales experience. As has been noted by Usmani (2005) by doing so, Islamic banks can attract and retain customers and build a loyal customer base over time. Khan (2016) states personal selling in Islamic banking and suggests that personal selling plays a significant role in customer acquisition and retention. It has also been identified that several factors that contribute to the effectiveness of personal selling in Islamic banking, including the salesperson's knowledge of Islamic banking products and services, the salesperson's ability to build trust with customers, and the salesperson's ability to communicate effectively with customers.

Furthermore, Hussain & Hussain (2017) states that personal selling can help to overcome some of the challenges faced by Islamic banks when it comes to promoting their products and services. For example, because Islamic banking products and services differ from conventional banking products and services, customers may require more education and explanation. Personal selling can be an effective way to

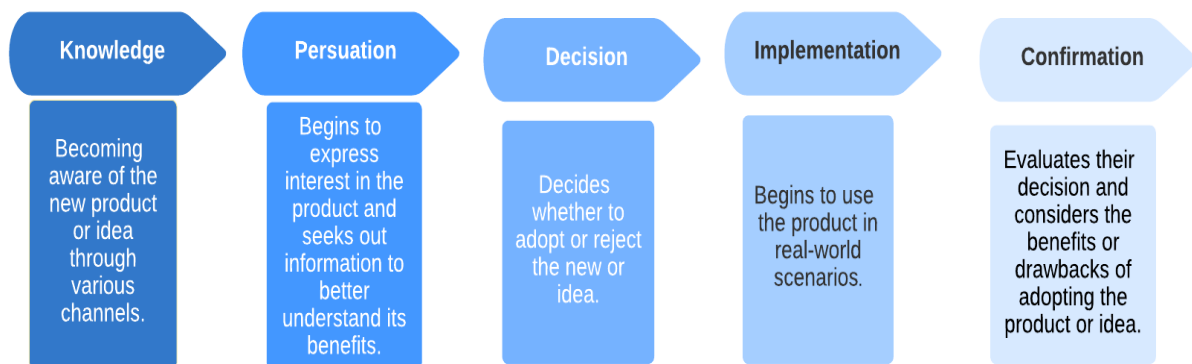
provide this education and explanation, as well as to address customers' concerns and objections. Ali & Rahman (2015) states that Islamic banking operates under the principles of Shariah, which means that it avoids interest-based transactions and instead relies on profit-and-loss sharing (PLS) arrangements. Compared to traditional banking, Islamic banking products and services are relatively new and may require more explanation to customers. This is where personal selling can be particularly helpful.

According to Aziz & Ahmad (2016), personal selling can have a significant impact on customer acquisition and retention in Islamic banking. Personal selling involves face-to-face interactions between the salesperson and the customer to promote and sell products and services. The salesperson can tailor the sales pitch to the customer's needs and preferences and address any concerns or objections they may have. This personalized approach can help to build trust and bonds with customers, leading to a greater likelihood of repeat business. Tariq & Ahmad (2019) suggests, to be effective, a salesperson in Islamic banking needs to have a good understanding of the principles of Shariah and how they apply to bank products and services. This knowledge can help the salesperson to explain the benefits of Islamic banking to customers. Additionally, the salesperson needs to have excellent communication skills to explain the complexity of Islamic banking products and services in an easy-to-understand manner. A salesperson in Islamic banking also needs to build trust with customers. Aziz & Ahmad (2016) stress that Islamic banking products and services are based on ethical principles, and customers need to trust that the bank is operating transparently and honestly. The salesperson can demonstrate this trustworthiness by being knowledgeable, responsive to customer needs, and transparent about fees and charges.

2.2 Innovation Diffusion and Adoption

In this study, the word 'adoption' means to take or follow by choice or acceptance. According to Rogers (1995) Adoption process is a mental process through which an individual passes from hearing about an innovation to final adoption. Adoption refers to how well consumers are able to receive a product or service as well as how likely they are to use the product or service in the future. To build an effective strategy for market

penetration, management must understand the consumer adoption process. (Fullan, 1991) argues that adopting new things requires a focus on both the "hard" and "soft" aspects of change. The hard aspects refer to the technical, measurable aspects of change, such as the use of new technologies or the implementation of new policies and procedures. The soft aspects refer to the cultural and social aspects of change, such as building relationships, fostering collaboration, and developing a shared sense of purpose among stakeholders. Fullan process, one should understand, two other concepts – innovation and innovation diffusion process. Innovation diffusion process is



Source: Own Diagram (2023) based on Rogers (1995) five stage of Innovation diffusion process

Figure 1: Figure 1 Stages of innovation diffusion process

a broader concept that focuses on the spread of innovation across society which includes adoption, while adoption process is a narrower concept that focuses on the decision making process of the individual or organization. The speed at which a product or idea is adopted by consumers can depend on various factors such as product characteristics, individual traits, and environmental factors. The innovation diffusion process is often used in marketing and advertising to assist companies in launching a new product or idea and understanding the consumer mindset and behavior. According to Rogers (1995) the process can be broken down into five stages, including knowledge, persuasion, decision, implementation, and confirmation.

2.3 Empirical Review and hypothesis formulation

Islamic banking has gained considerable attention in recent years due to its unique principles and ethical considerations. Promotional tools are crucial in the marketing of Islamic banking, and the study of their effectiveness is essential (Mohammed et.al, 2019). A research made by Ali et al (2018) on the topic of 'Islamic Banking Promotion in Malaysia: A Study of Customer Perception" a research paper that investigates the effectiveness of Islamic banking promotion strategies in Malaysia and its impact on customer satisfaction and loyalty, has found that word-of-mouth communication is the most effective promotional tool for Islamic banking. Customers who have positive experiences are more likely to recommend the bank to their friends and family. Mousa et al (2019) found Social media platforms to have been effective, as they allow for broad outreach and quick dissemination of information. In contrast, traditional promotional tools like brochures and flyers have been found to be less effective. Mousa et al (2019) argues one reason could be that they do not provide enough information on the unique features of Islamic banking as compared to conventional banking. The study recommends that Islamic banks to focus on building customer trust and loyalty through effective communication and by providing high-quality services. Additionally, the study highlights the need for further research in this area to better understand the effectiveness of various promotional tools. In Ethiopia Since IFB is a recent phenomenon, not much have been researched on the topic. The researches on the subject of IFB has been mostly restricted to the financial performance aspect of IFB in Ethiopia and very limited research have be on the specific topic of the effectiveness of promotional mix in influencing adoption of IFB. However there are numerous researches on international level especially in countries such as Malaysia, Indonesia and Nigeria. As a limitation, although the model developed in the context of other countries may not be fully applicable in Ethiopia as the institutional, economic and socio-cultural factors might different the hypotheses were formulated based on different countries.

2.5.1 Effectiveness of Advertising in influencing adoption of interest-free banking among non-Muslims

Advertising is one of the most common promotional tools used by Islamic banks. They

use various media such as TV, radio, and print to advertise their products and services. The findings on effectiveness of advertising in Islamic bank are mixed. Several studies suggest that advertising can be effective in promoting awareness and brand recognition for Islamic banks, while Chohan et al (2019) suggest that the effectiveness of advertising depends on the specific target audience and the type of advertising used. One study by Kausar et al (2020) on the topic of "Advertising Appeals and Customer Response in Islamic Banking: A Conceptual Framework" found that advertising can be effective in promoting Islamic bank products and services among non-Muslims and Muslims who are not well-informed about Islamic banking. However, they also noted that advertising should be Shariah-compliant and avoid using misleading or exaggerated claims. Another study by Oktarina (2019) on the topic of "The Influence of Advertising Appeals on Islamic Banking Consumer Behaviour: A Study in Indonesia" found that social media advertising can be effective in building trust and promoting customer loyalty for Islamic banks, particularly among younger customers. However, they also noted the importance of targeting the right audience and using tailor-made messages to increase the effectiveness of the advertising.

Jummat and Yunus (2019) studied" the effectiveness of Promotional tools in creating awareness toward customer customers of Islamic banking in Malaysia" In determining the impact of advertising towards customer awareness on the services offered, result showed that that the level of advertising that was being implemented on that particular bank was not sufficient enough, particularly when advertising the banking product of IFB. However, a limitation of Jummat and Yunus (2019) study was that it examined one IFB product (Musharakah) in that particular bank. The study further recommended that the advertisements should be creative in delivering the message to customers and that Islamic banking should produce advertisements that can attract people to watch and listen to the advertisement until the end. In order for the community outside the form of Islam to be attracted to the sharia-based service the advertisement needs to be more attractive and be more extraordinary.

However, according to (Armstrong and Kotler, 2010) consumers require a considerable amount of information and knowledge to make sound financial decisions about

products or services. The reason is that knowledge serves as a tool for enhancing their awareness, enabling them to become effective in decision-making. Promoting Islamic banking products through advertising can lead to improved knowledge and awareness among consumers. This, in turn, can have a positive impact on their intention to engage with Islamic banking and their purchasing behavior (Taber and Alaryan, 2015). By promoting banking products through effective advertising, the banks can shift consumer mindsets and dispel common misconceptions about the banking system. Advertising is the primary channel to motivate the desire and intention of the consumer which will develop the behavior of purchasing adequately (Wahid and Ahmed, 2011). In another study by Alshannag et.al (2020) on the topic of "Consumer Acceptance of Islamic Banking System: The Moderating Effects of Marketing Advertising", where they analyzed the factors that are having impact on the consumer to adopt Islamic Banking, found the result to be in which the moderation of advertising was found to be significant. The study suggested for the Islamic banks to use advertisements to increase awareness among the consumers to adopt the services of Islamic banks and develop loyalty among them.

Overall, it appears that advertising can be effective in promoting Islamic banking, but its effectiveness will depend on several factors, including the target audience, the type of advertising used, and the message being conveyed. On the basis of this, following hypotheses were developed:

H1 Advertisements has a positive and significant effect on adoption of IFB

[2.5.2 The effectiveness of public relation practice of Zamzam Bank S.C in influencing the perceived value of customers](#)

Islamic banks use public relations campaigns to create a positive image of their brand in the eyes of the public. This includes press releases, social media marketing, and sponsorships. A study by Abualmilh (2019) on the topic of "Public relations in Islamic banking: A comparative study of Malaysia and Saudi Arabia" argues how Islamic banking is a rapidly growing sector of the banking industry, and effective public relations play a critical role in enhancing the reputation and image of Islamic banks.

Based on the researchers finding, Abualmilh (2019) states, public perception is a key factor in determining the success of Islamic banking. Thus, it is essential for Islamic banks to implement effective public relations strategies to promote their image and maintain the trust of customers and stakeholders. As has been found on their research done by Farouq et al (2017) on the topic of "The Role of Public Relations in Building and Maintaining Trust: The Case of Dubai Islamic Bank" One of the primary benefits of implementing successful public relations is that it positions the Islamic banks as trustworthy and ethical institutions that are aligned with Islamic principles. This positioning can help to build brand equity and customer loyalty among Muslim customers, who represent the primary target market for Islamic banking services. Furthermore, Amin (2019) on the topic of "Islamic Banks' Public Relations Practices in Bahrain" argues effective public relations can differentiate Islamic banks from traditional banks and reinforce the message that they offer a unique set of products and services that are tailored to meet the needs of the Muslim communities

Isa (2015) on the topic of "A Case Study of Effective Public Relations in the Islamic Finance Industry: The Bahrain Experience" emphasize the unique role Islamic banks have in society, and their commitment to social responsibility is an essential aspect of their public relations strategy and suggest that Islamic banks must communicate their social values and their commitment to ethical banking practices. Additionally, Isa (2015) notes that public relations can help to dispel misinformation and misconceptions about the industry, including the notion that Islamic banking is only for Muslims or that it is less profitable than conventional banking.

A study that was conducted in Jordan by Al-Nazer et al (2016) on the topic of "An Exploratory Study of Public Relations Practices in the Jordanian Islamic Banking Industry" found that hiring external PR agency had negative effect the public relation practice. Because of the PR professionals not being familiar with the Interest-free banking principles which ultimately had effect on the way they communicate those principles throughout the media. The bank relied on them due to their English language proficiency and their ability to give it a proper media exposure. However not having enough knowledge about the practice was found to be a hindrance for the bank in

delivering its messages effectively.

In another study that was conducted in Malaysia by (Ahmed, 2014) on the topic of 'The Role of Public Relations in Promoting Islamic Products Globally: The Malaysian Experience', Public relation was found to be essential to look after the nature and quality of relationship between the organization and its different publics and to create a mutual understanding with them. The role of public relations practitioners is to update information about Islamic banking products such as why interest is banned and how commercial dealings are based on the principal of profit and loss sharing. In that aspect, the study argues, Al Rajhi Bank Malaysia had positive feedback for publicizing their banking information through website regularly and stress that a better consumer education have assisted in making people to be more aware of the available products.

Based on their findings Al-Nazer et al (2016) suggest that Islamic banks should adopt a more proactive approach to public relations by leveraging digital and social media platforms to engage with customers and stakeholders. Social media can help Islamic banks to build brand awareness, cultivate customer loyalty, and generate positive buzz around the bank's products and services. By sharing content that highlights the bank's social values, commitment to ethical banking practices, and innovative products and services, Islamic banks can create a compelling narrative that resonates with customers and builds trust in the brand

On the basis of this, following hypotheses were developed:

H2 Public relation has a positive and significant effect on adoption of IFB.

2.5.3 Effectiveness of direct marketing at Zamzam Bank S.C have significant effect on customers towards adoption of IFB products

There has been limited research on direct marketing in Islamic banking compared to conventional banking. However, some studies have suggested that direct marketing can be an effective strategy for Islamic banks to promote their products and services to potential customers and maintain relationships with existing customers. A study conducted by Darwish and Ahmed (2018) on the topic of "Direct Marketing in Islamic Financial Services: Perceptions and Practices of Executives and Customers" found that

direct marketing can enable Islamic banks to promote their investment products to customers who are interested in socially responsible investing or to offer special financing options for customers purchasing homes or vehicles. The study further suggest that direct marketing can be an effective strategy for Islamic banks to maintain relationships with existing customers. By regularly communicating with customers through direct marketing channels, Islamic banks can provide updates on new products and services, offer special promotions and discounts, and solicit feedback from customers to improve their services continuously.

Wasim & Melik (2017) on the topic of "Customer Relationship Management in Islamic Banking: Direct Marketing Approach" recommends that it is crucial to note that the effectiveness of direct marketing in Islamic banking may depend on various factors, such as the target audience, the type of product or service being promoted, and the messaging used in the marketing campaign. Additionally, Islamic banks must ensure that their direct marketing strategies comply with Shariah principles and ethical standards.

IFB have not been promoted adequately and the reason for that according to (Karbhari et.al 2004), is that employees not being well trained on how to sell banking services, the research highlight that the lack of awareness by front-line employees is the most common reason for poor performance when it comes to promotion of interest-free banking. If the front line are not well equipped with IFB knowledge it will make it very difficult to engage with customers via personal selling or direct marketing. In another study conducted by Rasheed (2015) on the topic of 'Challenges in Marketing of Islamic Banking Products in Malaysia' investigated the challenges of marketing Islamic banking products in Malaysia and traces the roots of the problem to the lack of customer centricity. The study found direct mail to be still relevant and to be the most intrusive channels in delivering the most cost- effective, best- performing accounts. The study suggests that direct mail to be tool to measure the involvement of customers in banking products and service. The people who receive direct mail and take time to read it was found to be the most involved in their decision about services given by the bank. El-Sued.M et al. (2012) states the fast advances in technology in the last few decade

have reshaped how customers interact with their financial institution. The financial institution has extended its "face-to-face" selling towards direct marketing of products and services in the form of mail, mobile phone and computer transaction. Mols (2010) claims that theology literacy and availability of network enhance customer relationship regardless of the type of financial service given. Furthermore, the internet banking technology also makes it easier to follow individual consumer usage.

Overall, while there is limited research on direct marketing in Islamic banking, it is clear that the practice can be an effective strategy for Islamic banks to promote their products and services and maintain relationships with customers. By tailoring their messaging to the unique needs and interests of specific customer segments, Islamic banks can increase their visibility and build brand loyalty among their target audience. As studies show, direct marketing is nowadays what is mostly practiced in digital marketing. The adoption of innovative technologies and business models is a prominent emerging trend that is fast-changing the ecosystem of the banking sector as a whole and Islamic banks are not immune to these developments. On the basis of this, following hypotheses were developed:

H3 Direct marketing has positive and significant effect in influencing customers towards adoption of IFB products.

[2.5.4 Effectiveness of personal selling at Zamzam Bank S.C have significant effect on customers towards adoption of IFB products](#)

Rashid et al (2014) on the topic of "Acquiring New Customers through Personal Selling in Islamic Banks of Bahrain" suggest Personal selling involves direct, face-to-face communication between a salesperson and a customer. In the context of Islamic banking AlKhataibeh and Al-Shaer (2013) notes personal selling can be used to promote various products and services, such as Islamic financing products, investment opportunities, and wealth management services. Personal selling can enable Islamic banks to communicate the unique features of their products and services directly to potential customers, answer any questions or concerns they may have, and build trust and rapport with the customer. Alsabbah and Naser (2012) states personal selling can

be an effective strategy for Islamic banks to maintain relationships with existing customers. By regularly communicating with customers through personal selling channels, such as relationship managers or customer service representatives, Islamic banks can provide personalized recommendations for new products and services based on the customer's needs and interests, offer tailored investment advice, and provide ongoing support and assistance. However, the study further notes effectiveness of personal selling may depend on other factors, such as the competence and knowledge of the salesperson, the quality of the products and services being promoted, and the trust and credibility of the banking institution.

Islamic banks also rely on their sales force to promote their products and services. They use personal selling to persuade people to open accounts or invest in their offerings. Ahmad (2011) conducted a study of Islamic Finance in the Australian market and in order to combat the prevalent lack of understanding regarding the philosophy and principles of Islamic finance, he suggests a concerted effort towards improving education and spreading awareness.

He points out that Islamic finance's success and growth can be attributed to its value-based principles that attract investors from diverse backgrounds, including those who do not identify as Muslims. It is not widely recognized that Islamic finance's success is built on the foundation of its ethical ethos. He proposes conducting a brand makeover exercise, formulating communication plans, and broadening the spectrum of communication channels.

Karbhari et al (2004), Identified IFB weaknesses in reaching a broad client base. When listing the main problems; Shortage of marketing and communications professionals who understand IFB system and that the promotional activities not being used adequately, the inability of Islamic banks to establish their individual brand identity and the fact that they are perceived as mere imitators of the traditional banking system and that the prevailing perception about Islamic banking that revolves around the "no interest" concept gives shallow impression of IFB and ignores other features such as the risks and profits sharing concepts.

Kettell, B. (2011) states personal selling to be essential in establishing direct relationship with customers because it is a promotional tools that deals verbally for the sake of convincing customers towards presented service. Through personal selling, complaints and opinion of customers can be checked and investigated. The study further argues that personal selling is not only important to retain customers but to attract new customers by engaging with them directly. Hence state the importance of training the sales force about the art of selling as well as train them to have awareness about the service available and to be able to explain clearly about the service offered. In that regard the study found that Islam bank of Malaysia to be successful in having well trained sale personals because the bank sends most of its staff to specialized course in the banking marketing locally and externally and the program had positive effect con customer relationship management.

Overall, while there is limited research on the effectiveness of personal selling in Islamic banking, it is clear that the practice can be an important strategy for Islamic banks to promote their products and services and build relationships with customers. By providing personalized recommendations and support, Islamic banks can increase customer satisfaction and loyalty. On the basis of this, following hypotheses were developed:

H4 Personal selling has positive and significant effect in influencing customers towards adoption of IFB products

2.4 Conceptual framework

The conceptual framework of this study is developed based on the empirical and theoretical review presented earlier. The model focuses on the effectiveness of promotional elements on adoption of IFB incorporating the key variables such as advertising effectiveness, public relation, direct marketing and personal selling. The model is designed taking into consideration the concepts discussed in the literature and testing in the context of Ethiopian banking industry and interest free bank. In this model, adoption of interest free bank is the dependent variable and advertising effectiveness,

public relation, direct marketing and personal selling is the independent variable. The end result of the model is to explain relationship that is assumed to exist among these variables. The model that was built based on literature above illustrates four problems that are forwarded in the form of hypothesis which will be addressed through the analysis.

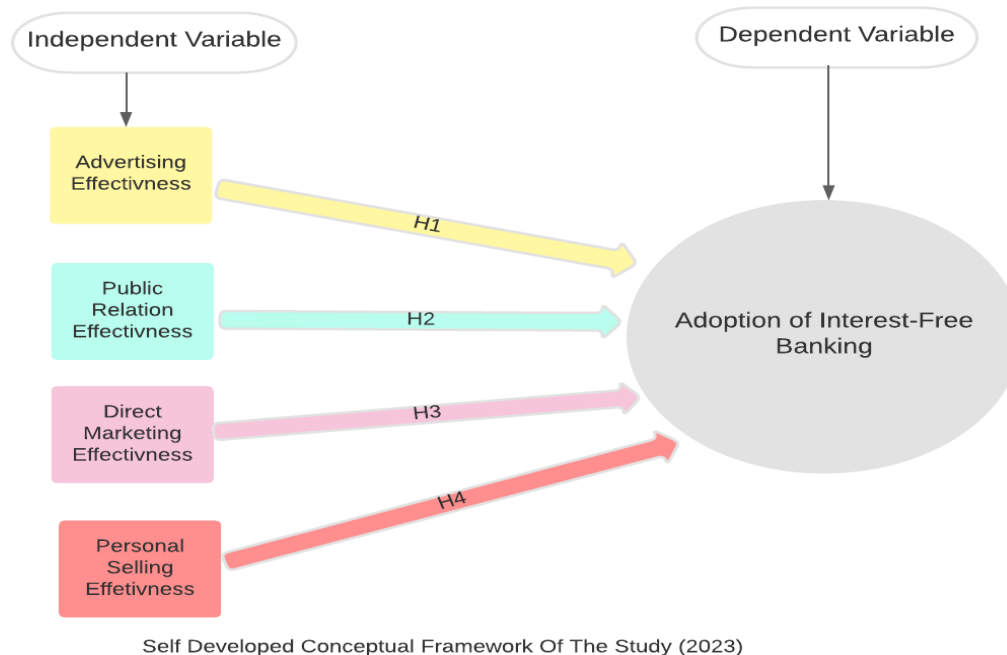


Figure 2: Conceptual Framework of the study

CHAPTER THREE

3. Introduction

This chapter discusses the procedures in which the research will be conducted in a detail. It will describe the approaches and the methodologies of the study such as; research design, study population sampling, source of data and instrument of data

collection, procedure of data collection, data sources and data analysis method, reliability and validity as well as ethical issues will be addressed.

3.1. Research design

Research design is the framework through which a study aims to gather and analyze data. It is the plan that outlines the methods and procedures that will be used to collect information for research and the analytical tools that will be applied to analyze the findings. The research design is essential to the success of any study because it gives a clear direction to the researchers on how to carry out their work. The research design also ensures that the research is valid and reliable and can be used to draw conclusions and make decisions. (Zikmund and Babin, 2007) This research followed explanatory research design because it will be a research conducted to determine the cause and effect relationship of the variables in the context of ZamZam Bank.

3.2 Research Approach

Quantitative research aims to use mathematical models, theories, and hypotheses to understand and explain natural phenomena. the process of measurement is central to quantitative research because it allows researchers to connect observation and empirical evidence to mathematical and statistical analyses, making it possible to develop models that can shed light on complex phenomena. (Kothari, 2004). As a result, in studying the relationship between promotional activities (independent variables) and adoption of IFB (dependent variable) the research mainly applied quantitative or deductive type of research approach.

3.3 Sampling and population

3.3.1 Sampling technique

Sampling is the procedure of seeking an appropriate subset that represents the entire population in order to establish key statistics or characteristics. (John et. al., 2007). There are two major types of sampling designs: probability and non-probability sampling. A probability sample is a sampling technique where each member of the population has an unbiased and fair opportunity of being chosen for the sample. Essentially, this means that every individual or unit within the population has an equal

probability or chance of being included in the sample. Alternatively when choosing sample units based on personal judgment, it is typically not possible to ensure that every element of the population has an equal chance of being selected. As a result, this type of sample method is as non-probability sample (Adams et al., 2007; Kothari, 2004). Non-probability samples can still provide valuable insights and information about a population, but it's important to be aware of potential limitations and biases in the sample. Probability sampling includes Simple Random, Systematic, Stratified, Cluster and Multistage sampling methods (Adams et al., 2007). This study has used both probability and non-probability sampling techniques as has been used on previous researches on similar topic such as Yilama (2019), Nasser (2020) & Bekele (2020). The districts have been selected on a location base which the researcher consider them as stratum. Thus, stratified sampling were used with proportional number of respondents in each district. Taylor & Bogdan (1998) argues Stratified sampling could be a good technique in bank branch customers sampling because it allows the selection of a representative sample that accurately reflects the different types of customers who visit the bank. With stratified sampling, customers can be grouped into different categories. By dividing the population into strata and selecting samples from each stratum, the researcher can ensure that the final sample is representative of the population as a whole. This type of sampling technique also helps to minimize bias and increase the accuracy of results. In the context of bank branch customers, stratified sampling may help to identify patterns or preferences among different customer segments. In this case of this research on location base.

After having sample of customers for each districts, convenience sampling method was used to assemble data from the sample of 394 customers or respondents. Convenience sampling technique is a non-probability sampling technique in which a sample is drawn from part of the population that is convenient to the researcher, or readily available. While a probability sampling method would be better to use, it is difficult to capture bank customers who are unavailable or unwilling to participate at the given limited amount of time. Therefore convince sampling was found to be more suitable. As a result, in the selected branches questionnaire was given to customers of the branch at the time of walking in to the branch to get the service of the bank after confirming the

willingness of the customers to fill the questionnaire number of customers were given the questionnaire until the expected number of sample size assigned to the respective branch had been satisfied.

3.3.2 Sampling strategy

As of June 30, 2022, the total number of branches of the bank reached 40; of which 23 branches (57.5%) are located in Addis Ababa city while the remaining 17 branches (42.5%) are outside of Addis Ababa. The bank has a total of 77,231 customers that have opened deposit accounts of which 51,117 are Addis Ababa city branch customers. Out of 23, while 8 of these branches were opened very recently, while 15 of them have been operating over a year since it was first launched June 2021, out of which 6 of them are located in the outskirts of Addis Ababa. Dismissing the branches that have only been operating for few months and the ones that are located right on the outskirts of Addis, The study considers the remaining 9 Addis Ababa city branches. The number of customers that have opened a bank account on these branches are 29, 572.

3.3.3 Sample size

Determining sample size is a very important issue because samples that are too large may waste time, resources and money, while samples that are too small may lead to inaccurate conclusions. Sample sizes of branch from the districts customers have been determined using the following techniques.

The sampling size was determined using Targo Yamane (1967) sample size determination formula. The Yamane sample size formula is a commonly used method for determining sample size in research studies. This formula takes into account the population size and the desired level of precision to calculate the appropriate sample size.

Using the Yamane formula, the sample size would be calculated as:

$$n = N / (1 + N(e^2))$$

Where n = sample size, N = population size, and e = margin of error as a decimal.

$$n = 29,572 / (1 + 29,572(0.05^2)) \quad n = 394$$

Table 1: Proportional Sample size for each branch

NO	Branches	Population size (Respondents)	Percentage (Respondents / N)	Proportional sample size for each branch (394*percentage)
1	Alif Branch, Wolo Sefer	3, 452	12.5%	50
2	Haji Ture Branch, Merkato	4, 456	16.2%	65
3	Sefwa branch Dubai Tera	2, 192	7.73%	31
4	Ramadan Branch, Bole Michael	941	3.41%	12
5	Mina branch, Bethel	762	2.87%	11
6	Arefa branch, Kolfe	1,823	6.62%	27
7	Haq branch, Alem bank	2,634	9.56%	37
8	Omer Semeter branch, Piassa	2,932	10.64%	41
9	Anwar Mosque branch	8,345	30.3%	120
	Total	27,537	100%	394

Proportional Sample size for each branch (2023)

3.3.5 Target population

Target population is defined as the entire group a researcher is interested in. The target population in this research is customers of IFB in Zamzam bank S.C in Addis Ababa. Particularly those branches that have been operated over a year since it was launched in June 2021, of which consists 9 branches consisting 27,537 customers.

3.3 Source of Data

3.4.1 Primary source of data

Primary data refer to information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study (Sekaran, 2003). Primary data was collected from customers of the selected banks through questionnaires. The questionnaires was administered during working hours of the Bank from 8 a.m. to 4 p.m. Monday through Saturday where the bank has peak traffic of customers.

3.4.2 Secondary source of data

Secondary data refers to information that has been previously collected and can be sourced from academic literature, statistical publications, and other published or unpublished materials, either internally or externally. This data may furnish valuable insights for researchers in their respective fields, providing broad and comprehensive view of the subject matter being studied (Sekaran, 2003). Accordingly the researcher made use of secondary data for the literature review.

3.5 Data collection instrument

Data were collected from customers in the selected braches of the bank using survey through structured questionnaire. The questionnaire were constructed by the researcher making use of the following resources: Internal promotion of Islamic banking offerings at a South African traditional bank (Damon, 2018) and Assessment of adoption of agency banking innovation in Ethiopia (Gugsa, 2015). A five number of Likert scale questionnaire were used to gather the primary data. (Sekaran, 2003) has emphasized the importance of the Likert scale questionnaire in research. According to

her, the Likert scale is a reliable and valid way to measure attitudes, opinions, and perceptions of respondents. The Likert scale questionnaire includes a series of statements with response options ranging from strongly agree to strongly disagree. This scale effectively captures the intensity of respondents' opinions or attitudes towards a particular topic, allowing researchers to generate quantitative data. A structured questionnaire will be developed and administered among the selected customers of the Bank. Self-administered method will be used to complete the questionnaire. According to (Creswell, 2002), a self-administered questionnaire is a type of research instrument used to collect data from participants in a study. The questionnaire is designed to be completed by the participants themselves, without any assistance from the researcher. This method offers several advantages, including convenience and privacy.

The questionnaire intends to have two sections in which the first section will contain questions of demographic profiles of the respondents, kind of questionnaire will be formulated. These types of question are assumed to assist to gather the necessary background information from respondents. It is believed that demographic profiles questionnaire is crucial in bank customer research for several reasons. Firstly, it helps the bank to identify and understand its target market, that is, the specific age groups, income brackets, gender, and other defining features of the customers the bank wants to attract. With this knowledge, the bank can tailor its marketing strategies, services, and products to effectively meet the needs and preferences of its customers and also by understanding the demographics of their customers, banks can identify gaps in their services, improve their approach, and enhance customer satisfaction.

The second section of questionnaire is designed based on the factors which were extracted from existing literature related to the four promotional elements effectiveness (independent variables) and Adoption of Interest free banking (dependent variable). For convenience sake the questionnaire will be translated into Amharic to make it easy to those customers who may not fully understand English language.

3.6 Data Collection Procedure

The research was conducted partially in person and partially by leaving questionnaire at

the bank districts until the required number of questionnaire were filled. Respondents filled out the questionnaires accordingly after having their full consent regarding the purpose of the study. The data collection was carried out in two phases. The first phase was for pilot-testing the data collection instruments' validity and reliability by disseminating a total of 15 questionnaires. Then once confirmed their validity, the questionnaires were distributed to the targeted respondents. Although many respondents have been reluctant to fill all the question a valid number of people, meaning 280 or 71% of respondents have given valid response.

3.7 Data Analysis and Presentation

Both descriptive and inferential statistics were used to analyze the quantitative data collected through a structured questionnaire. Using descriptive and inferential statistics to analyze quantitative data collected through a structured questionnaire were found to be significant for many reasons. Firstly, as according to (Creswell, 2014), descriptive statistics provide a summary of the data collected, enabling the researcher to understand the main features and values of the data in a clear manner. To describe the data, preliminary descriptive statistics such as frequency, percentages, mean scores, and standard deviation were computed.

Inferential statistics, on the other hand, allowed the researcher to make statistical inferences about the population using the data collected. It involves the use of probability theory to test hypotheses and determine the significance of relationships between variables. In this way, inferential statistics has allow the researchers to generalize the findings from a sample to the population. To view the internal consistency of the scale items, Cronbach coefficients (alpha) were also computed. Therefore, using both descriptive and inferential statistics in analyzing quantitative data from a structured questionnaire leads to a comprehensive understanding of the data. It makes the conclusions drawn from the research more reliable, accurate, and useful. All the variables were coded and entered into the SPSS 20.0 to analyze the collected data.

Multiple regression analysis was performed using the four selected promotional elements as independent variables, and adoption of interest free bank as the dependent

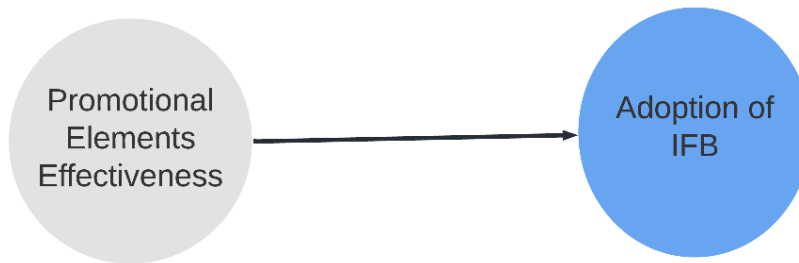
variable. The basic aim is to see the extent to which adoption of IFB is affected by the promotional tools in terms of the coefficient of determination (R^2 value), the regression coefficient (Beta coefficient), and the P-values for the significance of each relationship. Correlation coefficients was used to quantitatively describe the direction and magnitude of the association between the variables. According to Hair (2016), the Pearson correlation coefficient measures the degree of linear association between two variables. The scale varies between -1.00 to +1.00, whereas zero (0) represents absolutely no relationship between the three variables.

Model Specification – as Creswell, 2014 suggest Regression analysis is a statistical technique used to identify the relationship between a dependent variable and one or more independent variables. The aim of regression analysis is to predict the values of the dependent variable based on the values of the independent variable(s). There are several types of regression analysis, including linear regression, logistic regression, and multiple regression. Multiple regression is used when there are more than one independent variables. Multiple linear regression (MLR) models have been used in empirical evaluate hypotheses made on empirical review. These models allow researchers to explore the relationships between the independent variables and the dependent variable. Specifically, MLR models can be used to test the relationships between a set of predictors and an outcome variable in a situation where two or more variables might be simultaneously influencing the outcome

Multiple linear regression is made to define the relationship to evaluate the most dominant variable that affects adoption of interest free bank. To do so, the relationship between the variables is formulated as:

X -Independent Variable (Advertising, Public Relation, Direct Marketing Personal Selling)

Y₂ - Dependent Variable (Adoption of Interest free bank)



The formula for a multiple linear regression model is

$$Y = b_0 + b_1X_1 + b_2X_2 + \dots + b_nX_n + e,$$

Where Y is the dependent variable in this case the Adoption of IFB, X1 through Xn are the independent variables, X1= Advertising effectiveness X2= Public Relation effectiveness, X3= Direct Marketing effectiveness, X4= Personal Selling effectiveness.

b0 is the intercept, bn is the slope coefficient for each independent variable, and e is the residual error.

(Creswell, 2014) states this formula is used to predict the value of the dependent variable based on the values of the independent variables. Multiple linear regression allows us to analyze the relationship between the dependent variable and multiple independent variables simultaneously. In order to create an accurate model, it is important to carefully select the independent variables that have a significant effect on the dependent variable. Additionally, the model should be assessed for its accuracy and predictive power using statistical metrics such as the R-squared value and the p-value of each coefficient. Overall, the multiple linear regression formula is a powerful tool for analyzing and predicting the relationships between multiple variables.

3.8 Validity

Ensuring validity in research is important to ensure that the results obtained are trustworthy and credible. As Kidder and Judd (1986) note validity in research refers to the extent to which a study accurately measures what it intends to measure. It is a

measure of the soundness and appropriateness of the inferences that are drawn from the research findings. In other words, validity is the degree to which the research accurately reflects the real world. There are several types of validity in research, including the one the researcher focused on in conducting the research which is internal validity. Steufert, S (1988) asserts internal validity to be the degree to which a study accurately measures the relationship between the independent and dependent variables without any confounding variables affecting the results. The researcher has taken various steps to ensure validity, such as conducting pilot studies, using validated measures and ensuring sample representativeness.

Validity in pilot testing of a questionnaire refers to the extent to which the results obtained from the pilot survey accurately measure the research objectives. The research objective was to understand the level of effectiveness of the selected four promotional elements of ZamZam bank for adoption of interest free banking. Saunders et al., (2007) state that the minimum number for a pilot study is 10. Pilot-test was made before conducting the full study to ensure that the instructions, questions, and scale items were clear. The questionnaire was administered to a small sample of bank customers (n=15). The respondents were asked to rate their level of agreement with various aspects of the bank's promotional activities using a 5-point Likert scale. Based on the results of the pilot study, some changes were made to the questionnaire. For example, some questions were rephrased to improve clarity, and some questions were added to better capture the research objectives. The questionnaire was also reviewed by experts in the field of banking to ensure that the questions were clear, unambiguous, and relevant to the research objectives. In which the experts suggested some major changes to the wording of the questions as well as using of local language to improve clarity. Finally, after having all the required modifications, it was found satisfactory to distribute to the targeted respondents accordingly.

3.9 Reliability

Reliability is a critical component of research because it ensures that the findings are trustworthy and accurate. It tests how consistently a measuring instrument measures

the concept it is measuring without bias (error free). There are different types of reliability in research including the one used to conduct this research; internal consistency reliability, which measures the degree to which the items in a measure are consistent with each other. It is usually measured using Cronbach's alpha. As suggested in the literature (Lee et al., 2009; Yu, 2011), Cronbach's alpha measures internal consistency between items in the scale. It quantifies the level of agreement on a standardized 0 to 1 scale. A measurement instrument has good reliability if the question-statements associated with each latent variable are understood in the same way by different respondents. As according to Zikmund (2010), a scale with a coefficient alpha between 0.6 and 0.7 indicate fair reliability, so for this study, a Cronbach's alpha score of 0.70 or higher is considered adequate to determine the reliability. The researcher used a program for statistical analysis, SPSS to compute and interpret Cronbach's alpha.

Table 2: Reliability Statistics

	No. of items	Cronbach's alpha coefficient
Advertisement	5	0.794
Public Relation	5	0.889
Direct Marketing	5	0.795
Personal Selling	5	0.832
Adoption of IFB	5	0.845

Own survey: 2023

The result for each variable indicates that the items in the scale or test are highly correlated with each other, with a strong degree of internal consistency. This means

that the items are measuring the same underlying construct or concept, and are likely to be reliable and consistent over time.

3.9 Ethical consideration

Ethical considerations are vital when conducting research on bank customers. Protecting confidentiality, obtaining informed consent, being transparent and objective, and adhering to professional ethics guidelines all form the foundation of ethical research practices (Brenkert.2020). When conducting the research on the bank customers, ethical considerations have been crucially considered. It has been done by prioritizing the privacy and confidentiality of the participants involved and by obtaining informed consent from participants, meaning that they fully understand the purpose and benefits of the study before agreeing to participate. In addition, on the top of the questionnaire, they were made to read about the purpose, procedures and benefits of the study. The researcher also did not intend to engage in fraudulent practices such as wrong interpretations, falsifying findings and misuse of results.

CHAPTER FOUR

4. Data Analysis and Presentation

Presenting the results of data analysis and interpretation in a research study is crucial in providing data to support or refute the hypothesis formulated in the previous section. In this section, the researcher has showcased the data collected in a visual format, in the

form of tablets and graphs. These are utilized to sort, summarize and display the data in a more meaningful manner. The data analysis stage involves analyzing data to detect patterns associations and tendencies. This involves applying statistical tools and techniques, such as correlation analysis, and regression analysis, to discover the meaning of the data. The interpretation stage involves forming conclusions based on the information collected, synthesizing the results, and making inferences about the study findings.

The researcher in this study distributed questionnaires to ZamZam bank customers in order to collect data for the research. The distribution process involved reaching out to the bank's management and seeking permission to conduct the research. Once this was done, the researcher drafted a questionnaire which was then handed out to the customers who were willing to participate. The researcher utilized stratified sampling to select customers from each branch and a convenient sampling technique to select the participants for the study. This involved selecting individuals who were readily available and willing to participate in the research. The questionnaires were distributed during the banking hours and were collected within a restricted timeframe. Out of the 394 distributed questionnaires, of which 280 of the returned instrument had valid usable data which accounted for a 71% response rate. According to Nigel (2019), the acceptable response rate of a survey conducted in person is 57%. Thus, the response rate is more than the expected margin. The questionnaire was designed to obtain information on the customers' experiences when it comes to how effective the bank is utilizing the promotional elements. The questions were structured to capture data on various aspects of the promotional activities offered by the bank. By distributing the questionnaires, the researcher was able obtain valuable data that was critical in investigating the bank's promotional effectiveness.

4.1 Demographic Information about the Respondents

Descriptive statistics were collected on demographic information about the respondents to better understand their characteristics and how they may influence the results of the study. Analyzing demographic information can help to identify patterns

and differences in responses between different groups of people, which can give insights into the impact of certain factors on behavior or attitudes. Knowing the age ranges of respondents can help researchers understand whether attitudes towards a certain promotional method or service vary by generation. Similarly, understanding the income levels of respondents can help researchers understand how financial considerations may impact their view on the effectiveness of a promotion.

The results in Table -3 show that out of 280 respondents who participated in this survey, male respondents comprised 168 (60%) and the rest 112 (40%) were female respondents. It implies the majority of the respondents were male subscribers. A high number of male customers in a bank demographic research could indicate several things. It could suggest that the bank's marketing efforts are more appealing to men, or that men are more likely to use the services offered by the bank. It may also imply that women either do not have as much need for the services or are not being effectively targeted. However, it is essential to keep in mind that demographic research cannot provide a comprehensive profile of all bank customers.

Ultimately, understanding the bank's customer base can help provide the basis for business strategy development, and product and service customization. As indicated in Table -3 regarding the age of the respondents, the majority 161(57.1%) were found to be below 30 years old followed by 73(26.1%), 28(10%), and 14(5%) found to be within the age range of 30 – 39 years, 40 – 49 and 50-59 years respectively. And only 4(1.42%) were above 60 years. The variety of age groups among bank customers is an indicator of the bank's ability to provide to a diverse range of customers. With a diverse customer base, the bank can offer personalized services that meet the unique needs and requirements of every customer. Younger customers which have a considerably high percentage in this case, may require services that are tailored to meet their digital needs and preferences. On the other hand, older customers may require more traditional services and may not be comfortable with technology. Banks with a broad customer base are also more likely to offer a range of promotional methods for banking and services that can be appealing to different age groups. Ultimately, banks with a diverse customer base have the potential to attract a wider range of customers and grow their business. Therefore, it is essential for banks to offer services that cater to customers of

all ages to remain competitive in the market.

Table: 3 Respondents Profile

Gender	Frequency	Percent
Male	168	60%
Female	112	40%
Total	280	100%
Age	Frequency	Percent
18- 29	161	57.1%
30-39	73	26.1%
40-49	28	10%
50-59	14	5%
Above 60	4	1.4%
Total	280	100

Own survey (2023)

The survey could also indicate that the younger generation aged up to 30 years old is found to be more inclined towards IFB, this could be because when compared to older age groups, the younger generation is more willing to accept innovation and change. On the other hand, older age groups are might to be hesitant towards using IFB due to a lack of understanding and awareness of the banking principles and products. However, the older age group are believed be more cautious in their banking activity as they are more conservatives and would using IFB solely for religious

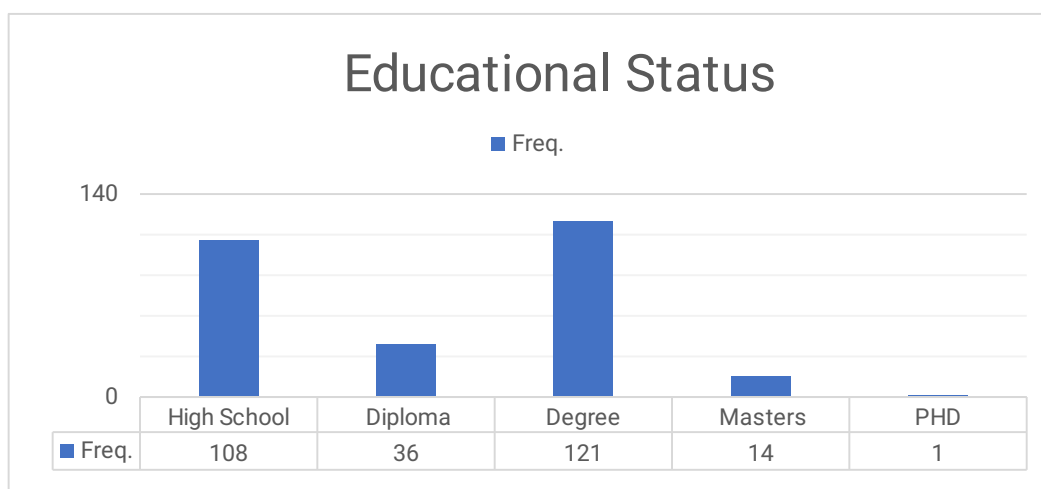


Figure 3: Educational Status

The educational backgrounds above reflected that the majority 121(43.2%) of the respondents were first-degree holders. While a percentage of people 108(38.5%) have just completed high school or stopped at high school. Master’s degree & above comprised 15(5.3%). Whereas 36(12.8%) have a diploma or equivalent certification.

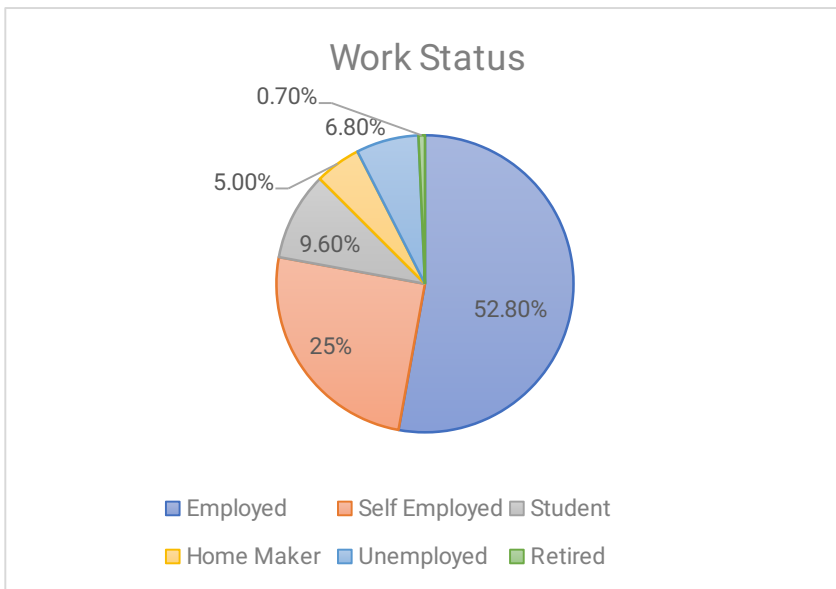


Figure 4: Work Status

The employment status of Zamzam Bank customers can tell us several things about the bank and the general economic landscape. The majority of the bank customers are employed or self-employed this could suggest that most of the respondents are financially stable, it could also suggest that the economy is healthy and robust. Another reason could be most of the branches where the research is conducted are located in the middle of marketplaces. Having a high percentage of numbers of customers that are self-employed or entrepreneurs, banks may want to develop specialized business banking products to cater to this population.

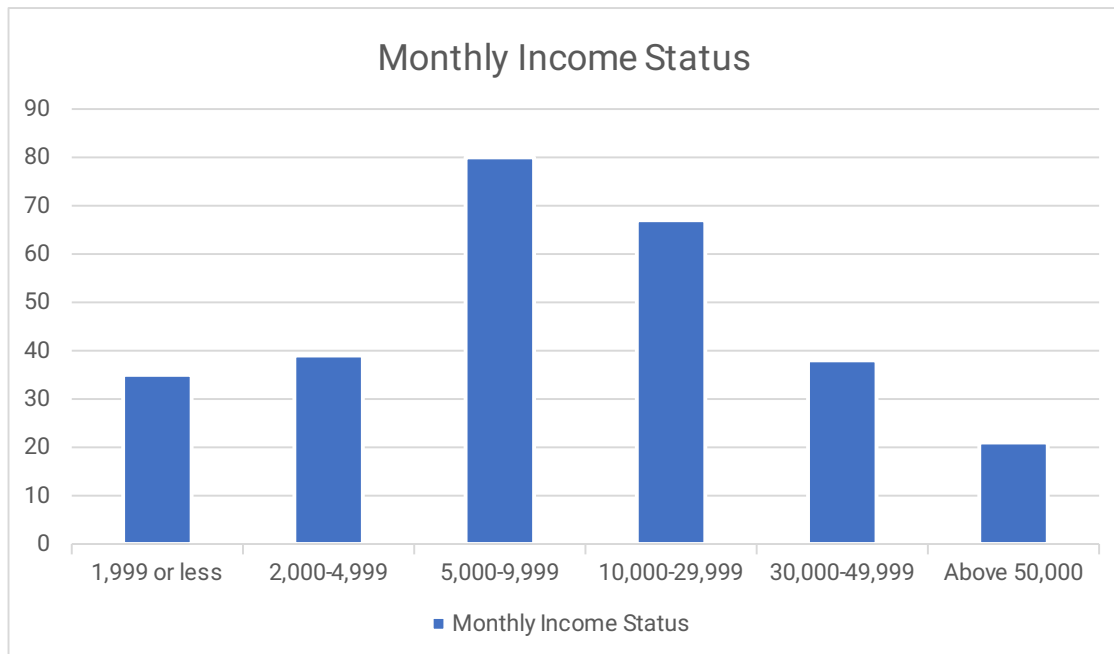


Figure 5: Monthly Income Status of the Respondents

Figure -4 shows the respondent's monthly income status. It revealed that 35(18.5%) did not have much income or have less than 1999 ETB monthly income 39(14.3%) of them earned in the range of Birr 2,000–4,999, while 80(25.7%), 67(20.3), 38(13.6%) 21(7.5) were those who earned from ETB 5000 – 9,999, 10,000- 29,999, 30,000- 49,999 and above than Birr 50,000 respectively. This implies the majority of the respondents who are customers at ZamZam Bank were in relatively good financial status.

Understanding the monthly income status of bank customers can aid a bank to gain insight into their financial situations and make decisions for effective bank promotion strategies. Firstly, it helps the bank understand who its target audience is and what they can afford. Customers with higher monthly incomes are more likely to be interested in premium services such as credit cards, investment plans, and loans for higher amounts. These customers also tend to have more savings, which can be beneficial for long-term deposit and investment accounts. On the other hand, customers with lower monthly incomes might be more interested in basic services such as savings accounts and low-cost loans. Understanding the needs of these different groups helps the bank tailor their

promotional campaigns accordingly. By providing them with personalized services and financial advice, banks can strengthen customer loyalty, bolster profits, and develop a positive perception in the public eye by providing quality service that meets customer's need.

4.2 Description of Study Variables

The study variables constitute the Promotional elements (independent) and Adoption of IFB (dependent) variables. To attain the research objectives, a total of 19 questions were grouped into the four dimensions of Promotional Elements factors such as Advertising effectiveness (5), Public Relation effectiveness (5), Direct Marketing effectiveness (5), and Public Relation effectiveness (5) Adoption of Interest-free banking, 5 questions were designed for each dimension of the promotional elements as well as for the dependent variable of adoption of the interest-free bank. A total of 25 questions were entertained to carry out the descriptive statistics.

To compare the respondents' perception of the variables, descriptive statistics of mean and standard deviation were used. Descriptive statistics of mean and standard deviation are commonly used in the analysis of bank customers' research for several reasons using mean and standard deviation to study the variables of bank customers' perception of the promotional elements provides a summary of the data that is easy to understand. As have been suggested by Mielke et.al (2019), these measures provide an overview of the central tendency and variability of the responses, allowing the researcher to quickly identify patterns and trends in the data. Mean and standard deviation allow for the comparison of responses to different variables. By comparing the means and standard deviations of responses, researchers can identify which variables are most important to customers and which aspects of the bank's services may need improvement. Descriptive statistics, including mean and standard deviation, will be used to test hypotheses about the relationship between different variables because they provide a concise summary of the data, allow for comparisons between variables, and enable statistical inference and hypothesis testing. The mean indicates to what extent the sample group averagely agrees or disagrees with the different statements. It provides a rough estimate of the average value of the data set. It can help

identify whether the data is skewed towards high or low values, or whether the data is evenly spread around the mean. Additionally, when comparing data sets, the mean can be used to evaluate the differences or similarities between them. However, it is important to note that the mean can be misleading if the data set includes outliers or extreme values. Therefore, the standard deviation will also be used complete understanding of the variables in the research. The standard deviation of the response indicates the amount of variation or dispersion in the data. It tells us how much individual responses vary from the average or mean response. A larger standard deviation indicates that the responses are more spread out and there is more variability among respondents, while a smaller standard deviation indicates that the responses are more tightly clustered around the mean and there is less variability among respondents. Standard deviation is an important measure in interpreting Likert scale responses as it helps us to better understand the distribution of responses and how representative the mean score is.

To measure the mean on a Likert scale questionnaire response, one needs to assign values to each response option. Typically, this is done on a scale of 1 to 5, where 1 represents strongly disagree and 5 represents strongly agree. Once the values have been assigned to the response options, one can calculate the mean for each question by adding up the numeric values for each

As according to Mielke et.al (2019) the scale is set in such a way that respondents strongly disagreed if the mean scored value is in the range of 1.00 – 1.80; disagreed within 1.81 – 2.60; neither agreed nor disagreed within 2.61 - 3.40; agreed if it is in the range of 3.41– 4.20; while strongly agreed when it falls within 4.21 – 5.00. In addition, standard deviation shows the variability of an observed response.

4.2.1 Advertising Effectiveness

Table 4: Description of Advertising Effectiveness

Advertising Effectiveness	N	Mean	SD
The advertising of the bank is appealing	280	4.01	1.701

The bank is unique from competing banks in its advertising.	280	4.02	1.604
The bank is growing in popularity through its advertising.	280	4.05	1.508
The advertisements of the bank are informative.	280	3.94	1.801
The advertisements for the bank communicate the inclusiveness the banking system.	280	4.01	1.445
Overall mean and standard deviation		4.06	1.611
Valid N (list wise)	280		

Own Survey (2023)

The results in Table -4 indicate that the majority of the respondents strongly agreed with the statement which refers to; the advertising of the Zamzam Bank is appealing (mean 4.01), that it's unique (mean 4.05), and its being informative indicates slightly lower (mean 3.94). Similarly, the respondents agreed (mean of 4.01) that the bank communicates inclusiveness through its advertising. The overall advertising effectiveness, based on the respondents' perception, was found to be relatively higher (mean 4.06). However, it is important to note the respondents had slight about how informative the advertisements are. This implies that the advertisements need to include specific details about the benefits and features of the banking services, such as the types of accounts they offer and the rewards and benefits associated with them, and that the customers are more eager to make an informed choice that suits their financial needs and goals. It's important to note, informative advertising builds customers' trust and confidence in the bank. When customers have accurate and detailed information about the bank's services and products, they are more likely to make informed decisions regarding their financial future. This is why informative advertising is an essential element of a successful promotional campaign.

4.2.2 Public Relation Effectiveness Description

Table 5: Public Relation Effectiveness Description

Public Relation Effectiveness	N	Mean	SD
The bank often holds PR activities to enhance customer understanding.	280	3.96	1.097
The bank is responsive to customers' complaints	280	4.15	.964
The bank is transparent in its communication with its customers.	280	4.25	1.037
The bank engages in social responsibility (by getting involved in community service, charity)	280	3.94	1.801
The bank has an active presence on social media.	280	4.2	1.304
Overall mean and standard deviation		4.1	1.240
Valid N (list wise)	280		

Own Survey (2023)

The results in Table -5 indicate that the majority of the respondents strongly agreed with the statements but compared to advertising effectiveness their agreement level was slightly lower. Especially concerning holding PR activities to enhance customer understanding. (Mean 3.69) and the bank's engagement in social responsibility (mean 3.94) A relatively lower mean value in the bank's engagement in social responsibility indicates A bank's low relatively low engagement in social responsibility can indicate a lack of commitment to environmental sustainability, and civic engagement. Customers may perceive such a bank as less trustworthy and may even question its long-term viability and corporate social responsibility. The causes of a bank's low engagement in social responsibility can be varied. For instance, it could be due to management's focus on short-term profits over long-term development. They may not want to spend resources on social initiatives that don't provide an immediate financial return, instead prioritizing core business objectives such as reducing costs and increasing revenue. Additionally, a bank may lack awareness of the importance of social responsibility or be

worried about the risk of being criticized for taking a particular social stance. Customer perception towards the bank can decline as a result of low social responsibility, as customers today are highly conscious of ethical issues and demand that companies take a responsible approach. Failure to do so can decrease customer loyalty. However, the overall PR effectiveness, based on the respondents' perception, was found to be relatively higher (mean 4.1).

4.2.3 Direct Marketing Effectiveness Description

Table 6: Direct Marketing Effectiveness Description

Direct Marketing Effectiveness	N	Mean	SD
The information I receive from the bank via text messages are informative.	280	3.49	.989
The messages I receive from the bank are tailored to my needs.	280	3.41	.992
The bank promote itself through various online platforms.	280	3.71	1.147
Information about the banking services can easily be accessed.	280	3.56	1.015
The bank personnel are reachable through phone or Internet.	280	3.58	1.221
Overall mean and standard deviation		3.55	1.072
Valid N (list wise)	280		

Own Survey (2023)

The results in Table -6 indicates that the majority of the respondents considerably agreed less with the statements than the two above promotional elements, the overall direct marketing effectiveness, based on the respondents' perception (mean 3.55).

Especially with regards to the bank information customers receive from the bank via text messages being informative (mean 3.49) and the messages customers receive from the bank being tailored to their needs (mean 3.61) this implies that customers may not be as satisfied as they should be with the way the bank is using direct marketing tactics to reach them. This could mean that customers are feeling overwhelmed or annoyed by the amount of direct marketing they receive, This may imply the banks may need to reconsider their approach to direct marketing and find ways to provide more targeted and personalized communication that resonates with customers. They may also need to explore alternative channels or approaches to reach customers, such as through digital marketing or community outreach.

4.2.4 Personal Selling Effectiveness Description

Table 7: Personal Selling Effectiveness Description

Personal Selling Effectiveness	N	Mean	SD
The bank representatives have adequate knowledge of Interest free banking products.	280	3.49	1.406
The bank representatives gives me recognition as a valued customer.	280	3.72	.996
The bank representatives are professionally mannered.	280	3.67	1.371
The bank representatives have the willingness to respond questions.	280	3.92	1.381
I'm satisfied with the information provided by the bank representatives.	280	3.61	1.509
Overall mean and standard deviation		3.68	1.3326
Valid N (list wise)	280		

Own Survey (2023)

The results in Table -7 indicate that the majority of the respondents agreed with the

statements as a whole with the overall mean being 3.682 however the result also indicates that there is wide room for improvement concerning the personal selling aspect. Especially the statement about bank representatives having adequate knowledge shows that many of the respondents did not strongly agree (mean 3.49) as well as with regards to being satisfied with the information provided by the bank representative (mean 3.61). If customers express less agreement with bank representatives' knowledge of interest-free banking, it could potentially indicate several issues. Firstly, it may suggest inadequate training or understanding of IFB principles and practices among bank representatives. This lack of knowledge could lead to inaccurate or incomplete communication with customers, leading to the provision of incorrect information or advice. Secondly, customers' not being satisfied enough could indicate a lack of transparency. If customers are not well-informed about the specific products offered by the bank, they may not be able to make informed decisions for their financial well-being.

4.2.5 Adoption of IFB

Table 8: Adoption of IFB

Adoption of IFB	N	Mean	SD
I intend to use Interest-Free banking in the future continuously.	280	4.51	1.821
All my banking activities are Interest-Free Banking.	280	4.32	1.468
I never think of switching off the Interest-Free Banking usage.	280	4.41	1.276
Interest Free Banking system is being adopted as a result of its inclusiveness.	280	3.65	1.101
The promotional activities of the bank have affected adoption of interest-free banking positively.	280	3.72	1.209
Overall mean and standard deviation		4.12	1.262
Valid N (list wise)	280		

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Own Survey (2023)

The results in Table -8 indicate that a significant majority of the respondents intend to use IFB in the future continuously (mean 4.51) and also most never think of switching off Interest-Free Banking usage. (Mean 4.41) and most of the respondents' banking activities are Interest-Free Banking (mean 4.32). This could imply the bank is doing something right in terms of the overall experience that customers have when using the banking system. However, the respondents had doubt when it comes to IFB being adopted as a result of its inclusiveness (mean 3.65) this could suggest that despite the aim of IFB to be inclusive and cater to the needs of all customers, it is not gaining widespread adoption. Considering these insights, it appears that the desired inclusiveness has not been fully achieved. Respondents have not strongly agreed with regards to the promotional activities to have affected the adoption of Islamic banking positively (mean 3.72) which implies according to the respondents' perception, the promotional activities conducted by the bank to promote Islamic banking have not been fully satisfactory in increasing the number of people using IFB services.

4.3 Inferential Analysis

On Inferential statistics, the data was leveraged to extrapolate information and to ultimately draw conclusions regarding the general population. The goal of inferential statics is to make generalizations about a population examining the variables. The inferential statistics comprises correlation tests among variables, different assumption pretests of the data itself for their suitability or fitness to the intended regression analysis model, and finally the regression analysis. It will finally enable the researcher to draw conclusions from a sample data set and make meaningful predictions about a larger population. Christopher (2018)

4.3.1 Correlation Test

To determine the relationship between promotional elements and adoption of IFB, Pearson correlation was first investigated for the categorical data of the study variables. The four types of promotional elements were taken as independent, and adoption of

interest free banking as dependent variable in this study. As per the guideline suggested by Field (2005), the strength of relationship 0.1 to 0.29 shows weak relationship; 0.3 to 0.49 is moderate; > 0.5 shows strong relationship between two variables. The results on Table -9 shows that overall, all dimensions of Promotional elements had positive and statistically significant relations with Adoption of IFB. Specifically, Public relation ($r = .642$) and Advertising ($r = .546$) has positive and strong relationship with adoption of IFB. Whereas, Direct Marketing ($r = .396$), Personal selling ($r = .454$) had a positive and relatively moderate relationship at $p < .05$.

This implies that all promotional elements had positive and significant relation with adoption of IFB and can be considered as good predictors of the model. When the independent variables have a positive and significant relationship with the dependent variable, it implies that changes in the independent variables are likely to result in changes in the dependent variable. The significance of the relationship indicates that the observed correlation is not just due to chance, but it is statistically significant.

4.4 Multiple Regression Analysis

Multiple regression analysis is a statistical tool that is commonly used to examine the

	Advertising Effectiveness	PR Effectiveness	DM Effectiveness	Personal Selling Effectiveness	Adoption of IFB
Advertising	1				
PR	.298**	1			
DM	.372**	.378**	1		
Personal selling	.384**	.321**	.282**	1	
Adoption of IFB	.546**	.642**	.396**	.454**	1

Own survey (2023)

relationship between two or more independent variables and a dependent variable. To ensure accurate and valid results from a multiple regression analysis, certain conditions must be fulfilled which include some assumptions. Everett, & Hothorn (2006)

The assumption that was used in his study was multicollinearity which is a common assumption in linear regression analysis which suggests that independent variables should not be related to one another. Everett,& Hothorn (2006)

4.4.1 Multi-collinearity

Multicollinearity can occur when there is a high degree of correlation between two or more independent variables in a regression model. This could result in untrustworthy projections of the regression coefficients, and make it hard to comprehend the consequences of each independent variable.

Multicollinearity is a phenomenon where two or more independent variables in a regression model are highly correlated, meaning that they explain a similar portion of the variation in a dependent variable. When this occurs, it becomes difficult to estimate the individual effects of each variable on the dependent variable. In order to test for multicollinearity, two common methods are the Variance Inflation Factor (VIF) and Tolerance tests. The VIF measures the degree of multicollinearity between each independent variable in the model and all other independent variables. A VIF value greater than 1 indicates that multicollinearity is present. Usually, a VIF value greater than 5 or 10 is considered problematic and requires further investigation. The Tolerance test measures the proportion of the variation in one independent variable that is not explained by the other independent variables. A tolerance value below 0.1 indicates that multicollinearity is present. Typically, a tolerance value less than 0.1 is considered problematic. (Day & Gastel, 2012)

Table 10: Multicollinearity of promotion elements

Model		Collinearity Statistics	
		Tolerance	VIF
1	Advertising Effectiveness	.805	1.160
	PR Effectiveness	.812	1.673

	DM Effectiveness	.797	1.434
	Personal-Selling Effectiveness	.764	1.411
^a Dependent variable			

Own survey(2023)

In this study, the results in Table -10 showed that the collinearity statistics analysis of variance inflation factors (VIF) value ranges from 1.411 to 1.1673 and Tolerance value ranging with 0.812 to 0.764 indicated there was no collinearity problem. When there is no collinearity problem with independent variables (promotional elements) it means that the variables are not highly correlated with each other. Had there been collinearity, it would be difficult to determine the independent effect of each variable on the dependent variable.

4.4.2 Homoscedasticity and Linearity

Homoscedasticity is a statistical term that refers to the uniformity of variance across the range of predictor variables. In other words, homoscedasticity implies that the variance of the errors of prediction is constant across the range of predicted values. One common technique used to assess the presence of homoscedasticity is to plot the residual values (ZRESID) against the predicted values (ZPRED). A homoscedastic plot will show a random, symmetrical scatter of points around zero. This indicates that the variances of residuals are constant across the range of predicted values. Conversely, a heteroscedastic plot will show a scatter of residuals with unequal variances. This means that the variance of residuals may change as the predicted values change. The scatter plots of standardized residuals versus the fitted values for the regression models were visually inspected from figure -6.

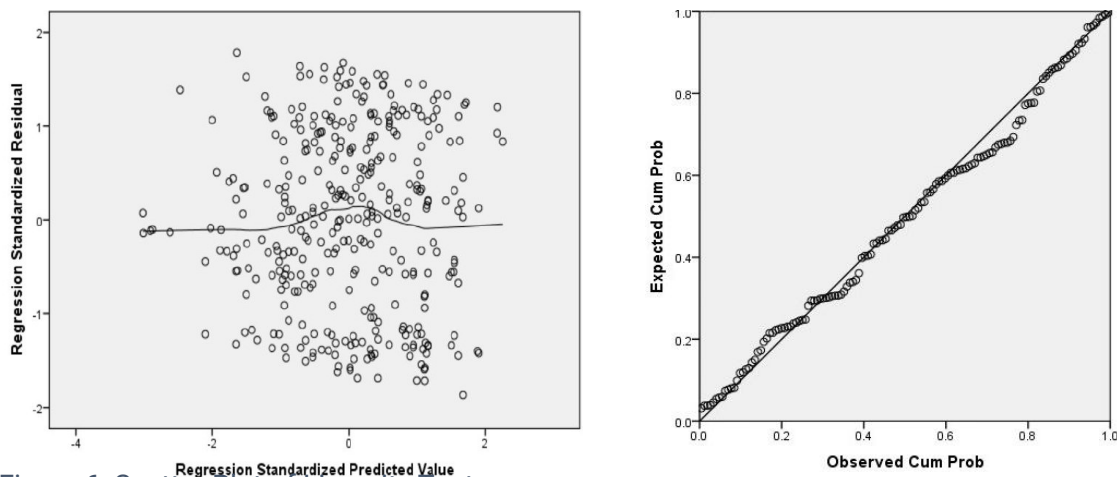


Figure 6: Scatter Plot of Linearity Test

4.4.3 Multivariate Normality

Multivariate normality is the assumption that the data follows a normal distribution across multiple variables. To check for multivariate normality, we can use various statistical tests, such as checking the values of kurtosis and skewness. Kurtosis measures the degree to which the distribution deviates from the normal distribution in terms of the tails of the distribution. A normal distribution has a kurtosis value of 0, while values greater than 0 indicate heavier tails and values less than 0 indicate lighter tails. Skewness measures the degree to which the distribution deviates from symmetry, or how much the curve is skewed to the left or right. A normal distribution has a skewness value of 0, while positive values indicate a right-skewed distribution and negative values indicate a left-skewed distribution. It is important to check for multivariate normality because many statistical procedures, such as regression analysis, assume that the data follows a normal distribution.

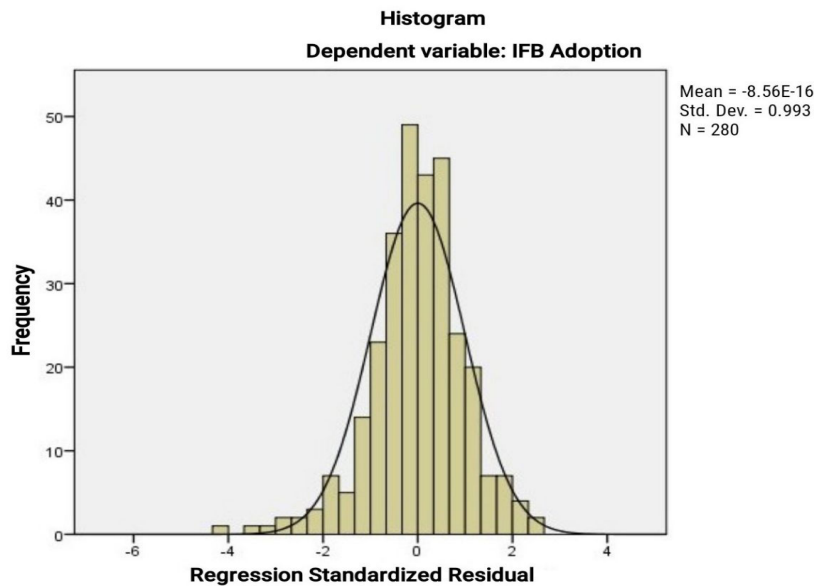


Figure 7: Histogram for Multivariate Normality Test

As presented in Figure -7, except for personal selling and direct marketing, all promotional elements' z-scores skewed to the left side but were found to be within acceptable range (skewness within -2.0 to 2.0; and Kurtosis within -2.0 to 2.0). Therefore, it is pretty clear then that the numeracy scores are positively skewed, indicating a pile-up of scores on the left of the distribution.

4.5 Regression Analysis

Multiple regressions were conducted to identify the most dominant promotional element variable that influences the overall adoption of interest free banking in the case of ZamZam bank. In addition, the multiple regression analysis in this research was conducted to test a total of four proposed hypotheses. They are compassed in the test

of whether the four promotional elements have significant and positive effect on adoption of IFB In order to indicate the impact that each factor had on the dependent variables, the standardized coefficients are checked. The model summary, ANOVA test and beta coefficient are the three outputs of the multiple linear regression analysis in this study.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the estimate
1	.829 ^a	.587	.683	.4136

a. Predictors: (constant), AD, PR, DM, PS

Referring Table -11, it indicates the model summary of the analysis, there is a positive relationship between Promotional elements and Adoption of IFB and the level of association between these two variables is $R = .829^a$ which shows that the relation of both variables is positive and strong. The value of R^2 is 58.7% which means that Promotional elements cause 58.7% change or variation in Adoption of IFB. Thus, it can be concluded that the goodness of fit. The discrepancy between the observations and the expected value (residual), contributed by other unsought factors, is relatively smaller (41.3%).

Table 12: ANOVA Test

ANOVA ^a		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.775	1	99.775	115.706	000 ^b
	Residual	95.176	325	.293		
	Total	194.950	326			

a. Dependent variable: Adoption of IFB

b. Predictors: (Constant), AD Effectiveness, PR Effectiveness, DM Effectiveness, PS Effectiveness

The ANOVA Test, F-value of 115.706 is significant at $p < 0.01$. Therefore, it can be inferred that with 58.7% of variance (R-Square), Promotional elements effectiveness are significant and the model appropriately measures the Adoption of IFB. That means, the regression model predicts overall adoption of IFB and has been significantly explained by the promotional elements effectiveness.

Table 13: Estimated Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	.352	.092		3.839	.003
	Ad	.354	.052	.452	11.458	.000
	PR	.395	.044	.515	15.576	.000
	DM	.171	.022	.255	5.889	.000
	PS	.256	.081	.329	7.526	.000

a. Predictors: (constant), AD Effectiveness, PR Effectiveness, DM Effectiveness, PS Effectiveness.

b. Dependent Variable: Adoption of IFB

Based on multiple regression analysis on Table -13, substituting the results in the model yields:

$$\text{BADO} = .352 + .452\text{AD} + .515\text{PR} + .155\text{DM} + .229\text{PS}$$

Standardized beta coefficients are a measure of the strength of the relationship between a independent and the dependent variable, while controlling for other independent variables in a multiple regression model. Field, 2013). The regression analysis revealed that each promotional elements have positive and significant effect on overall promotional elements. Public relation (B = .515, $p < .05$) promotional element has the highest effect on adoption of interest free bank preceded by advertising (B =

.452, $p < .05$) but direct marketing ($B = .255$, $p < .05$) and personal selling ($B = .329$, $p < .05$) have relatively lower contribution to the prediction model. The results imply that Advertising and Public relation have highly influenced consumers towards adoption of IFB at Zamzam bank more than the direct marketing and personal selling activates even though these elements have their contribution as well. It implies that advertising and public relation has a significant impact on the adoption of IFB among the customers. This means that the more advertising the bank does, and the more the bank engage in PR activities the more likely the customers are to adopt the bank's services.

4.6 Hypothesis Testing Results

Table 14: Summary of the Research Hypothesis Test Result

Hypothesis	Result
H1: Advertisements has a positive and significant effect on adoption of IFB	Supported
H2: Public Relation has a positive and significant effect on adoption of IFB	Supported
H3: Direct Marketing has a positive and significant effect on adoption of IFB	Supported
H4: Personal selling has a positive and significant effect on adoption of IFB	Supported

4.7 Discussion

Examining the demographics of respondents at ZamZam Bank, they are diverse consisting of diverse ages, but the main demographic is people between the ages of 18 and 39 years old. The banks serve both male and female customers. However, the male respondent rate is considerably much higher. One possible explanation males may be more likely to provide feedback on their experiences. Additionally, in countries like Ethiopia males are more likely to engage in financial activity than females. The banks cater to customers from different income groups. However, the majority of customers are from the Ethiopian standard middle-income bracket and the education level of the

bank customers varies, but the majority of them have at least a diploma

In terms of the effectiveness of promotional activities at Zamzam Bank, it showed a positive and significant effect on the adoption of IFB but at different intensities. Among the practices, advertising ($B = .452, p < .05$) and public relations ($B = .515, p < .05$) showed relatively the highest contribution while direct marketing ($B = .255, p < .05$) and personal selling ($B = .329, p < .05$) were less predictors. This was found to be consistent with research by Czinkota & Ronkainen, 2012 on the topic of the 'Influence of Promotional Strategies on Bank's Performance'. As a reason, it was explained that advertising allows banks to deliver their messages to a larger audience and increase banking exposure, which can ultimately lead to higher customer satisfaction, and that Advertising and public relations efforts can enhance a bank's credibility and reputation. Customers are more likely to trust information that they hear from a third-party source such as the media, influencers, or experts in the industry. In contrast, direct marketing and personal selling are more focused on selling products and services directly to customers. While these approaches can be effective for generating sales, they may not always create the emotional connection, credibility, and relationship building that advertising and public relations can bring, which may be why they have a lower effect. Especially direct marketing has a positive but relatively weaker effect on the adoption of IFB than personal selling. There could be several reasons why the bank's direct marketing has not been as effective according to bank customers' perceptions. Some possible reasons are: customers may perceive the tactics used by Zamzam Bank as pushy or intrusive which can hurt the bank's reputation. Direct marketing and personal selling require effective communication skills to engage customers and address their concerns. If bank employees are not skilled communicators, customers may not feel valued or heard which can discourage them from using the bank's services. Customers may not feel valued if direct marketing and personal selling are too generalized or don't address their specific needs. This can cause customers to seek out other banks that offer a more personalized approach and Customers might not have the time or inclination to meet with bank representatives in person. This can be seen as an inconvenience, especially for busy working professionals or older individuals who may prefer to conduct banking transactions online or over the phone. Overall, the

promotional elements have a significant and positive effect on interest-free bank adoption. However, the bank may require to understand customers' needs and preferences to tailor their promotional tactics accordingly.

CHAPTER FIVE

5. Summary, Conclusion and Recommendation

5.1 Summary of major findings

The overall demography of the respondents was characterized by

- o 168 (60%) male respondents and the rest 112 (40%) were female respondents.
- o The age of the respondents, the majority 161(57.1%) were found to be below 30 years old followed by 73(26.1%), 28(10%) were found to be within the age range

of 30 – 39 years, 40 – 49 respectively.

- o Most of the respondents were either degree holders or have just completed high school. With 121(43.2%) of the respondents being first-degree holders. 108(38.5%) have just completed high school or stopped at high school. Master's degree & above comprised 15(5.3%). Whereas 36(12.8%) have a diploma or equivalent certification.
- o The majority of the bank respondents are employed or either are self-employed with 25% and 52.8% respectively
- o The correlation test revealed that all four promotional elements had a positive and statistically significant relationship with the adoption of IFB. Specifically: Public relation ($r = .642$) and Advertising ($r = .546$) has a positive and strong relationship with the adoption of IFB. Whereas, Direct Marketing ($r = .396$), Personal selling ($r = .454$) had a positive and relatively moderate relationship at $p < .05$. The regression model explains 58.7% of variation in the adoption of IFB through the variations in the four promotional elements, statistically significant at $p < .05$.
- o The beta coefficients also revealed that the four promotional element variables have a positive and significant effect on the adoption of IFB. Specifically:
- o The overall direct marketing effectiveness, based on the respondents' perception where (a mean of 3.55). Especially with regards to the bank information customers receive from the bank via text messages being informative (mean 3.49) and the messages customers receive from the bank being tailored to their needs (mean 3.61) However, direct marketing at Zamzam Bank ($B = .255, p < .05$) had the least contribution to the adoption of IFB among the selected promotional elements.
- o Public relation ($B = .515, p < .05$) has the highest effect on adoption of IFB. However, compared to advertising customer agreement level is slightly lower. Especially with regard to holding PR activities to enhance customer understanding. (Mean 3.69) and the bank's engagement in social responsibility

(mean 3.94)

- o And similarly, personal selling personal selling ($B = .329$, $p < .05$) have relatively lower contribution to the prediction model. The respondents agreed with the statements as a whole with the overall mean being 3.682 however the result also indicates that there is wide room for improvement with regard to the personal selling aspect. Especially the statement about bank representatives having adequate knowledge shows that many of the respondents did not strongly agree (mean 3.49) as well as with regards to being satisfied with the information provided by the bank representative (mean 3.61).
- o Next to public relations, advertising ($B = .452$, $p < .05$) had also the strongest effect on the adoption of IFB. In this regard, the majority of the respondents strongly agreed with the statement which refers to; the advertising of the Zamzam Bank is appealing (mean 4.01), that it's unique (mean 4.05), and it's being informative indicates slightly lower (mean 3.94). Similarly, the respondents agreed (mean of 4.01) that the bank communicates inclusiveness through its advertising. The overall advertising effectiveness, based on the respondents' perception, was found to be relatively higher (mean 4.06).

5.2 Conclusions

The main objective of this study was to investigate the effectiveness of promotional elements in the adoption of IFB at Zamzam Bank. Namely Advertising, Public relations, Direct Marketing, and Personal selling. The study sought to identify the most important effective promotional tools. The objective of studying the effectiveness of promotional elements of the bank toward adoption of the banking service involves determining the most effective promotional elements that can motivate customers to adopt banking services, the study evaluated each of the four promotional element. To examine how each element contributes to creating awareness or influencing customer perception. Overall, the research objective was aimed to study the effectiveness of promotional elements in banking services to identify key influencing factors, measure the

promotional elements' effectiveness, and suggest areas for improvement. The research provides a roadmap for the bank to design more effective promotional strategies to improve the banking system services adoption.

The results of the findings supported that all the promotional elements have a positive and significant effect on the overall adoption of the banking system. Advertising and public relation had relatively higher positive and statistically significant effects whereas personal selling and direct marketing showed lower significance on the overall adoption of IFB at ZamZam Bank. It can be concluded that the bank focused on these two promotional elements more because as interest-free banks are relatively new to the markets, the bank may not have a well-known brand presence and advertising can be an effective way to build brand awareness and educate customers about the unique features and benefits of the banking system. The bank also has a specific target audience, such as Muslim customers or customers interested in ethical or socially responsible banking. Advertising and public relations can be used to reach these specific groups and communicate why Islamic banking is the best choice for them. Advertising and public relations can be powerful tools for the bank to build brand awareness, target specific audiences, differentiate from competitors, and establish credibility.

While advertising and public relations are important aspects of an effective promotional strategy, it is also crucial for the bank to focus on personal selling and direct marketing as well. Personal selling allows the bank's representatives to build relationships with potential clients and identify their needs. This can be crucial in interest-free banking, where the values of trust, honesty, and integrity are highly valued. By engaging with customers through personal selling and direct marketing, interest-free banks can offer personalized advice to clients on the products and services that meet their needs. When done effectively, personal selling and direct marketing can create a positive experience for the customer and lead to better customer retention in the long term and as the interest-free banking sector grows in the country, there will be increased competition. Personal selling and direct marketing can help to differentiate an institution's offerings from those of competitors, making it easier for customers to choose the bank's

products over those of other banks.

By integrating these approaches with advertising and public relations, and other promotional elements the bank can create a comprehensive and effective promotional strategy that meets the needs of their customers and supports their business objectives.

5.3 Recommendations

Based on the results of this study, the following recommendations are forwarded to Zamzam bank marketers so as to improve the adoption of IFB through effective use of promotional elements practices. The recommendations are:

- According to the research results in this paper, although advertising had a high effect on the adoption of IFB next to public relations Zamzam Bank should work on obtaining a higher effect. The respondents especially had slight doubt when it comes to advertising being informative enough. The advertisement of IFB at ZamZam Bank should be informative by focusing on the IFB values such as the ethical and religious principles that are applicable to all individuals, regardless of their characteristics. It is important to highlight the social responsibility aspect of IFB and emphasize the bank's unique features, such as profit-sharing arrangements, that differ from conventional banks. Advertising can be used to explain these elements and show how they may appeal to clients.
- Direct Marketing had relatively the lowest effect on the adoption of IFB. The respondents are especially doubtful when with regards to the bank information customers receive from the bank via text messages being informative and the messages customers receive from the bank being tailored to their needs. This may suggest the bank's customer database not constantly being up-to-date or of low quality, Poor quality of data can also lead to the generation of irrelevant or insufficient leads. If the direct marketing campaign does not take into consideration the preferences, interests, and needs of the customer, then it will

not be effective in generating leads and garnering interest. Incorrect contact details or marketing messages may not resonate with the customer leading to low engagement and Thee bank's target market may be already saturated with similar kinds of marketing messages from competitors, leading to loss of attention and low returns on direct marketing campaigns. Therefore, the bank should develop a customer database to reach out to identified target markets and personalize marketing efforts. The customer database can be used to segment the bank's potential and existing customer base, enabling targeted and personalized marketing. The bank can then leverage the customer data to create targeted marketing campaigns that are customized and relevant to each customer's needs. For example, if a customer has shown interest in the bank's Murabaha IFB product, the bank can send personalized communication focusing on the Mudarabah IFB product.

- Personal Selling had a relatively lower effect on the adoption of IFB. The respondents have especially shown doubt with regards to the bank representatives having adequate knowledge of IFB as well as with regards to being satisfied with the information provided by the bank representative. Personal selling requires that bank representatives be knowledgeable and passionate about the products they are promoting. If they don't have adequate product knowledge or enthusiasm, they may not be able to effectively communicate the benefits and unique features of IFB. Another reason for personal selling not being as effective is the competition that exists between the banks. Customers may be bombarded with promotions and offers and, therefore, have a tough time paying attention to the bank's representatives. Therefore, the bank should recruit and train a sales team with strong communication skills and IFB knowledge. The sales team should have the ability to explain the unique advantages and features of the banking services. The sales team should also have a customer-centric approach. Customer empathy can go a long way in helping the sales team understand the unique needs of the customer and offering targeted solutions. The bank should strive to make use of the digital transformation we are witnessing in all aspects. When it comes to personal

selling, there are now mechanisms that support personal selling activities by providing salespeople with data on customer behavior, interests, and needs, which can be used to tailor sales pitches to individual customers

5.4 Limitation and Recommendation for Further Research

Even though the study is expected to make significant contributions, as can be said for all research, it has been assumed that this study will not proceed without limitations. The research was mainly based on the result of a survey questionnaire for the customers who were willing to participate. This involved selecting individuals who were readily available and willing to participate in the research. Due to the limited amount of time that were available the respondents were randomly selected and may not be as representative as the researcher would like them to be. In addition, finding customers who were willing to take time and fill out the questionnaires properly and returning back complete questionnaires was a challenge. In terms of the study itself, the research was only limited to studying promotional effectiveness tools that were used at Zamzam Bank S.C. more frequently and does not include other promotional and marketing communication tools such as publicity and sales promotion. Moreover, the study was based on the first full-fledged IFB and may not give a full picture of the promotional effectiveness of IFB in other banks in Ethiopia as a whole.

After conducting the research on the promotional activities at Zamzam Bank, the researcher would like to recommend further research to explore the effectiveness of each promotional element on the adoption of IFB. Especially to deeply investigate how direct marketing efforts of the bank (such as emails, SMS, telemarketing, and more) affect customer acquisition rates. By comparing the effectiveness of these channels, one can provide insight into which channels work best for customer acquisition and also study the impact of personal selling of the IFB on customer retention: This type of study will aid in examining how personal selling by bank representatives, and the interactions customers have with them, affect customer retention and loyalty rates. By exploring the effectiveness of each of these promotional elements on IFB, we can better

understand which elements work best for each type of promotion and provide suggestions on improving or combining these strategies for maximum impact. Consequently, these researches can contribute effective ways of using promotional elements for the development of IFB in the future.

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V. Annex

Addis Ababa University School of Commerce

Survey Questionnaire

Dear Participants,

I'm inviting you to participate in this research by completing the following Questionnaire. The aim of this research is to investigate the effectiveness of the selected four promotional tools used by ZamZam Bank S.C in adoption of interest-free banking to further recommend solutions for potential shortcomings. The following questionnaire will require approximately 5-10 minutes to complete. Thank you for taking the time in assisting me with the research. Under no circumstances are you obliged to answer any of the questions. However, in doing so you will assist me in completing the research and enhancing the research focus. The collected data will remain confidential and solely be used for academic purposes. **Please note that you can also access the questionnaire in the Amharic version.**

Sincerely,

Aymen Mohammed

Addis Ababa university school of Commerce

Masters of marketing management program

Tel. 00251913730303

E-mail: aymenyeee@gmail.com

Section 1 – Demographic Information

kindly tick (✓) on the respective table box which suit your characteristics.

N O	Customer Demography	Categories	Mark Applicable (✓)
1	Gender	Male	
		Female	
2	Age	18- 29	
		30-39	
		40-49	
		50-59	
		Above 60	
3	Highest level of education	Secondary education	
		Diploma	
		First Degree	
		Master's Degree	
		PHD	
4	Work status	Employed	
		Self Employed	
		Student	
		Home maker	
		Unemployed	
		Pensioner/ Retired	
5	Monthly Income range	1-1999	
		2000-4999	
		5000-9999	
		10000-29999	
		30000-49999	
		Above 50000	

Section II. Study Variables (Public Relations, Personal Selling , Direct Marketing and Adoption of IFB).

This section is aimed to evaluate the effectiveness of promotional elements in adoption of IFB. Each statement relates to your feelings about the four promotional elements used at ZamZam Bank based on your experience as well as the adoption of the banking system. This part is organized in five scale measurements that express your level of evaluation by ticking (√) under the numbers of the five alternatives. The score levels are described as 1- Strongly Disagree= 2- Disagree=3- Neutral=4- Agree=5= Strongly Agree

Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Advertisement	1	2	3	4	5
The advertising of the bank is appealing					
The bank is unique from competing banks in its advertising.					
The bank is growing in popularity through its advertising.					
The advertisements of the bank are informative.					
The advertisements for the bank communicate the inclusiveness the banking system.					
Public Relation	1	2	3	4	5
The bank often holds PR activities to enhance customer understanding.					
The bank is responsive to customers' complaints					
The bank is transparent in its communication with its customers.					
The bank engages in social responsibility (by getting involved in community service, charity)					
The bank has an active presence on social media.					

Direct Marketing	1	2	3	4	5
The information I receive from the bank via text messages are informative.					
The messages I receive from the bank are tailored to my needs.					
The bank promote itself through various online platforms.					
Information about the banking services can easily be accessed.					
The bank personnel are reachable through phone or Internet.					
Personal selling	1	2	3	4	5
The bank representatives have adequate knowledge of Interest free banking products.					
The bank representatives gives me recognition as a valued customer.					
The bank representatives are professionally mannered.					
The bank representatives have the willingness to respond questions.					
I'm satisfied with the information provided by the bank representatives.					
Adoption of IFB	1	2	3	4	5
I intend to use Interest Free Banking in the future continuously.					
All my banking activities are Interest-Free Banking.					
I never think of switching off the Interest-Free Banking usage.					
Interest Free Banking system is being adopted as a result of its inclusiveness.					
The promotional activities of the bank have affected adoption of interest-free banking positively.					

Thank you for your valuable time!



**አዲስ አበባ ዩኒቨርሲቲ ንግድ ስራ ኮሌጅ
ማርኬቲንግ ማኔጅሞንት የትምህርት ክፍል**

ውድ ተሳታፊ

ይህ መጠይቅ በአዲስ አበባ ዩኒቨርሲቲ ንግድ ስራ ኮሌጅ ለሚሰጠው ማርኬቲንግ ማኔጅመንት ማስትሬት ዲግሪ ማሟያ ጥናታዊ ፅሑፍ መረጃ ለመሰብሰብ የተዘጋጀ ነው። ጥናቱም " የዘምዘም ባንክ ከወለድ ነፃ የባንክ አገልግሎት ላይ የተጠቀመባቸው የማስተዋወቂያ መሳሪያዎች ውጤታማነት ለወለድ ነፃ የባንክ አገልግሎት ቅበላነት" በሚል ርእስ ከደንበኞች እየታ አንፃር ዘምዘም ባንክ ምን ያህል የተመረጡትን አራቱን የማስታወቂያ መሳሪያዎችን ለከወለድ ነፃ የባንክ አገልግሎት ቅበላ በውጤታማነት ተጠቅሞዋል የሚለውን ለመለየትና ተያይዞም የመፍትሄ ሃሳቦች ለመጠቀም የሚደረግ ሲሆን የእርስዎ ትክክለኛ ምላሽ ለጥናቱ መሳካት ከፍተኛ አስተዋፅዖ ያድርጋል። ጥያቄዎቹን በሙሉ ለመመለስ ከ5-10 ደቂቃ በላይ እንደማይወስድብዎና በተጨማሪም የሚሰጡት ምላሽ ሚስጥራዊነቱ ተጠበቆ ለጥናቱ ስራ ብቻ እንደሚውል ላረጋግጥልዎ እወዳለሁ። ለጥናቱ ያልዎት ተሳትፎ ሙሉ በሙሉ በፍቃደኝነት ላይ የተመሰረተ ሲሆን ለአጠቃላይ ትብብርዎ በቅድሚያ ምስጋና አቀርባለሁ። በመጠይቁ ላይ ግልጽ ያልሆነልዎት ነገር ወይም ማንኛውም አስተያየት ካልዎት በሚከተለው አድራሻ ሊያሳውቁኝ ይችላሉ።

አይመን መሀመድ
ስልክ : 00251913730303
ኢሜል: aymenyeee@gmail.com

ክፍል 1: ግለ መረጃ

እባክዎን ከእርሶ ጋር የሚሄደውን መልስ በቀኝ በኩል ሰንጠረዥ ቦታዎች የ (✓) ምልክትን በመሙላት

ይግለጹ።

ሰምዎትን መግለፅ በፍፁም አይጠበቅቦትም።

ቁ	አጠቃላይ መረጃ	አማራጮች	(✓)
1	ፆታ	ወንድ	
		ሴት	
2	ዕድሜ	18- 29	
		30-39	
		40-49	
		50-59	
		ከ 60 በላይ	
3	የትምህርት ደረጃ	ሁለተኛ ደረጃ	
		ዲፕሎማ	
		የመጀመሪያ ዲግሪ	
		ሁለተኛ ዲግሪ	
		ዶክተሬት	
4	የስራ ሁኔታ	ተቀጣሪ	
		የግል ስራ	
		ተማሪ	
		የቤት እመቤት	
		ስራ የሌለው	
		ጠረታ የወጣ	
5	ወርሀዊ ገቢ	1-1999	
		2000-4999	
		5000-9999	
		10000-29999	
		30000-49999	
		ከ 50000 በላይ	

ክፍል 2: የዘምዘም ባንክ ከወለድ ነፃ የባንክ አገልግሎት ከተጠቀመባቸው አራቱን የማስተዋወቂያ መሳሪያዎች ውጤታማነት እንዲሁም ተያይዞ የባንክ ሰርዓቱን ቅቡልነት ምንያህል ነው የሚለውን በተመለከተ የተዘጋጀ የንድፈ ሀሳብ መለኪያ ::

አባቶችን ለ እያንዳንዱ ሀሳብ በምን ያህል ደረጃ እንደሚሰማሙ በስተቀኝ ካሉት ከ 1- 5 ከተፃፈባቸው ሳጥኖች ውስጥ በ አንድ ላይ ብቻ የ (√) ምልክት በማድረግ ምላሽ ይስጡ። የስምምነት ደረጃዎች: (1)በጣም አስማማለሁ (2)አስማማለሁ (3)ለመወሰን አቸገራለሁ (4) አልሰማማም (5)በፍፁም አልሰማማም

የንድፈ ሀሳብ መለኪያዎች	በፍፁም	አልሰማማም	ለመወሰን	አስማማለሁ	በጣም
ማስታወቂያ	1	2	3	4	5
የዘምዘም ባንክ ማስታወቂያዎች ትኩረት ሳቢ ናቸው።					
የባንኩ ማስታወቂያዎች ከተፎካካሪ ባንኮች ይለያሉ።					
የባንኩ ማስታወቂያዎች የባንኩ አውቅና እንዲጭምር አድርገዋል።					
የባንኩ ማስታወቂያዎች መረጃ ሰጪ ሆነው አግኝቼያቸዋለሁ ::					
የባንኩ ማስታወቂያዎች ከወለድ ነፃ የባንክ አገልግሎት ሁሉን አካታች መሆኑን ያስተላልፋሉ ::					
የህዝብ ግንኙነት	1	2	3	4	5
ባንኩ በሚያደርጋቸው አንቅስቃሴዎች በሰዎች ዘንድ ጥሩ ስም እየገነባ ነው።					
ባንኩ ለደንበኞች ስጋት ወይም ቅሬታ ምላሽ እንደሚሰጥ አምናለሁ።					
ባንኩ ከደንበኞቹ ጋር ባለው ግንኙነት ግልጽነትን ያማከለ ነው።					
ባንኩ ማህበራዊ ሃላፊነቱን እየተወጣ ነው (በማህበረሰብ አገልግሎት፣ በበጎ አድራጎት ተግባር በመሳተፍ)።					
ባንኩ በማህበራዊ ሚዲያዎች ላይ ንቁ ተሳታፊ ነው።					
ዳይሬክት ማርኬቲንግ	1	2	3	4	5
በሞባይል መልእክት አማካኝነት ከባንክ የምቀበለው መረጃ ጠቃሚ ነው።					
ከባንኩ የሚደርሱኝ መልእክቶች ከሚያስፈልጉኝ ነገሮች ጋር የሚስማሙ ናቸው።					
ባንኩ በተለያዩ በይነ መረቦች ራሱን ሲያስተዋውቅ አስተውያለሁ።					

በተለያዩ መንገዶች ባንኩ ስለሚሰጣቸው አገልግሎቶች መረጃ በቀላሉ ማግኘት ይቻላል።					
የባንኩን ሰራተኞችን በቀላሉ በስልክ ወይም በኢንተርኔት አማካኝነት ማግኘት እችላለሁ።					
ፕሮሰናል ሴሊንግ	1	2	3	4	5
የባንኩ ተወካዮች ስለ ወለድ ነፃ ባንክ በቂ እውቀት እንዳላቸው ተገንዝቤያለሁ።					
የባንኩ ተወካዮች ደንበኛ በመሆኔ እውቅና ይሰጡኛል።					
የባንኩ ተወካዮች ሙያዊ አለባብስ እና ስነምግባር አላቸው።					
የባንኩ ተወካዮች ሁልጊዜም ለጥያቄ ምላሽ ለመስጠት ፈቃደኞች ናቸው ።					
ከባንኩ ተወካዮች ጋር በነበረኝ ግንኙነት ወቅት በሰጡኝ መረጃ ረክቻለሁ።					
የወለድ ነፃ ባንክ ቅቡልነት	1	2	3	4	5
ወደፊት ከወለድ ነፃ ባንክ አገልግሎት ያለማቋረጥ ለመጠቀም አስቤያለሁ።					
የባንክ እንቅስቃሴዎቼ በሙሉ ከወለድ ነፃ የባንክ አገልግሎት ነው።					
ከወለድ ነፃ የባንክ አገልግሎት ወደ መደበኛ ለመቀየር ፈጽሞ አስቤ አላውቅም ።					
ከወለድ ነፃ የባንክ አገልግሎት ሁሉን አካታች በመሆኑ ተቀባይነት እያገኘ መጥቶኛል።					
የዘምዘም ባንክ ማስታወቂያዎች ወለድ ነፃ ባንክን ቅቡልነት ላይ በጎ ተጽዕኖ አሳድሯል።					

ውድ ግዜዎትን መሰዋት አርገው መጠይቁን በመሙላት በጣም አመሰግናሁ!