

Addis Ababa University
College of Business and Economics
Department of Management



**Factors affecting Customers' Decision to Adopt Interest Free
Banking in Ethiopia: The Case of Dashen Bank S.C.**

**A Thesis Submitted to Addis Ababa University, College of
Business and Economics in Partial Fulfillment for the Degree of
Master of Business Administration (MBA)**

By: Adil Metsa Birhanu

ADVISOR:

December, 2023
Addis Ababa, Ethiopia

STATEMENT OF DECLARATION

I, **Adil Metsa Birhanu**, declare that this thesis entitled as “**Factors Affecting Customers’ Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C.**” is my own work. I have carried out independently the research thesis work with the guidance and support of the main advisor. This study has not been submitted to any degree/diploma in this or any other institution. It was done for the partial requirement of the MBA program in Business Administration.

Name: **Adil Metsa Birhanu**

ID No.: GSE/9397/09

Signature: _____

Date: _____

SCHOOL OF GRADUATE STUDIES
ADDIS ABABA UNIVERSITY
ADVISORS' APPROVAL SHEET

This is to certify that the thesis entitled “**Factors Affecting Customers’ Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C.**” has been carried out by **Adil Metsa Birhanu** ID No. GSE/9397/09 under my supervision, and submitted to the school of Management and Accounting for in partial fulfillment of the requirements for the Degree of MBA in Business Administration. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the school of Management and Accounting.

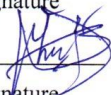
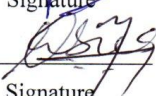
Name of Principal Advisor

Signature

Date

SCHOOL OF GRADUATE STUDIES
ADDIS ABABA UNIVERSITY
EXAMINERS' APPROVAL SHEET

We, the undersigned, members of the Board of Examiners of the final open defense by **Adil Metsa Birhanu** have read and evaluated his research thesis entitled “**Factors Affecting Customers’ Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C.**”, and examined the candidate. This is, therefore, to certify that the research thesis has been accepted in partial fulfillment of the requirements for the master’s degree of MBA in Business Administration in college of Management and Accounting.

Name of the Chairperson	Signature	Date
<u>Mohammed Seid (phd)</u>		
Name of Principal Advisor	Signature	Date
<u>Abera L. (phd)</u>		<u>26/02/2024</u>
Name of Internal Examiner	Signature	Date
<u>Getie A. (PhD)</u>	<u>Getie A.</u>	<u>26/2/24</u>
Name of External Examiner	Signature	Date
SGS Approval	Signature	Date

Final approval and acceptance of the research thesis is contingent upon the submission of the final copy of this thesis to the School of Graduate Studies (SGS) through the Department/School Graduate Committee (DGC/SGC) of the candidate’s department.

Stamp of SGS Date: _____

ACKNOWLEDGEMENT

This thesis wouldn't come in to fruition without the help of Allah, all praises belong to Him. I would like to extend my appreciation to my wife Hilal Yimer and our daughter Iman Adil for their unconditional support and love. I would like to thank my friends and family for their encouragement. Last but not least, my appreciation and gratefulness goes to Dr. Mohammed who was my advisor for this thesis.

Table of Contents

STATEMENT OF DECLARATION	ii
ADVISORS' APPROVAL SHEET	iii
EXAMINERS' APPROVAL SHEET	Error! Bookmark not defined.
ACKNOWLEDGEMENT	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS AND ACRONYMS	xi

<i>ABSTRACT</i>	xii
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1. Background of the Study	1
1.1.1. Brief History of Interest-Free Banking in Ethiopia	3
1.2. Statement of the Problem	6
1.3. Objectives of the Study	7
1.3.1. General Objective of the Study	7
1.3.2. Specific Objectives of the Study	7
1.4. Hypotheses of the Study	8
1.5. Significance of the Study.....	9
1.6. Scope of the Study.....	9
1.7. Limitations of the Study	10
1.8. Definition of Arabic Terms	10
1.9. Organization of the Study.....	11
CHAPTER TWO.....	13
REVIEW OF RELATED LITERATURES	13
2.1. Interest Free Banking	13
3.1.1. Definition, Evolution and Major Principles of Interest Free Banking.....	13
3.1.2. Interest Free Banking Products and Services	17
2.2. Theoretical Review.....	22
2.2.1. The Decomposed Theory of Planned Behavior (DTPB).....	22
2.3. Empirical Review of the Study.....	24
2.3.1. Factors Affecting Customers’ Decision to Adopt Interest Free Banking.....	24
2.3.1.1. Awareness of the Service and Adoption of IFB	24
2.3.1.2. Bank Reputation and Adoption of IFB.....	25
2.3.1.3. Perceived Complexity and Adoption of IFB	25
2.3.1.4. Perceived Compatibility and Adoption of IFB	25
2.3.1.5. Perceived Risk and Adoption of IFB.....	26
2.3.1.6. Relative Advantage and Adoption of IFB	26
2.3.1.7. Religiosity and Adoption of IFB	27
2.3.1.8. Social Influence and Adoption of IFB.....	27
2.4. Summary and Research Gap.....	28
2.5. Conceptual Framework of the Study.....	28

CHAPTER THREE.....	29
RESEARCH METHODOLOGY	29
3.1. Description of the Study Area	29
3.2. Research Design	30
3.3. Research Approach.....	30
3.4. Populations of the Study.....	31
3.5. Sampling Method and Sample Size Determination.....	31
3.5.1. Sampling Method	31
3.5.2. Sample Size Determination	32
3.6. Source and Method of Data Collection	32
3.6.1. Source of Data.....	32
3.6.2. Primary Data.....	32
3.6.3. Method of Data Collection	33
3.7. Method of Data Analysis.....	33
3.7.1. Reliability and Validity Analysis	34
3.7.2. Descriptive Statistics Analysis	34
3.7.3. Inferential Statistics Analysis	34
3.7.3.1. Pearson Correlation Analysis	35
3.7.3.2. Multiple Regression Analysis.....	35
3.8. The Operationalization and Measures of the Study Variables	36
3.9. Ethical Considerations.....	38
CHAPTER FOUR.....	39
DATA ANALYSIS AND INTERPRETATIONS	39
4.1. Questionnaire Response Rate	39
4.2. Demographic Characteristics of the Respondents	39
4.3. Reliability and Validity Assessment Results.....	41
4.4. Descriptive Analysis of the Study Variables	42
4.4.1. Descriptive Analysis of Factors Affecting Customers' Decision to Adopt IFB.....	42
4.4.1.1. Awareness.....	43
4.4.1.2. Bank Reputation	44
4.4.1.3. Perceived Complexity.....	44
4.4.1.4. Perceived Compatibility	45
4.4.1.5. Perceived Risk.....	46
4.4.1.6. Relative Advantage.....	47

4.4.1.7. Religiosity.....	48
4.4.1.8. Social Influence	48
4.4.2. Summary of Factors Affecting Customers’ Decision to Adopt IFB	49
4.4.3. Descriptive Analysis of Customers’ Decision to Adopt IFB Constructs	50
4.5. Results of Inferential Statistics	51
4.5.1. Pearson Correlation Analysis	51
4.5.2. Multiple Regression Analysis.....	53
4.5.2.1. Assumptions of Multiple Regressions	54
4.6. Hypothesis Test Results	62
CHAPTER FIVE.....	68
CONCLUSIONS AND RECOMMENDATIONS	68
5.1. Conclusions	68
5.2. Recommendations	69
5.3. Implications for Future Research	70
REFERENCES.....	72
APPENDIX	77
Appendix 1: Research Questionnaires.....	77

LIST OF TABLES

Table 2.1: Basic Principles of Interest-Free Banking.....	16
Table 3.1: Summary of Measurement Scales.....	36
Table 4.1: Questionnaire Response Rate	39
Table 4.2: Demographic Characteristics of the Respondents.....	40
Table 4.3: Reliability Analysis Results	42
Table 4.4: Five Point-Scaled Likert’s Criterion	42
Table 4.5: Descriptive Statistics of Awareness	43
Table 4.6: Descriptive Statistics of Bank Reputation.....	44

Table 4.7: Descriptive Statistics about the Perceived Complexity	45
Table 4.8: Descriptive Statistics about the Perceived Compatibility	46
Table 4.9: Descriptive Statistics about the Perceived Risk	46
Table 4.10: Descriptive Statistics about the Relative Advantage.....	47
Table 4.11: Descriptive Statistics on the Religiosity.....	48
Table 4.12: Descriptive Statistics on the Social Influence	49
Table 4.13: Summary of the Factors Affecting Customers' Decision to Adopt IFB Dimensions	50
Table 4.14: Descriptive Statistics of Customers' Decision to Adopt Interest Free Banking.....	51
Table 4.15: Rule of Thumb for about the Strength of Correlation of Coefficients	52
Table 4.16: Pearson Correlation Results	53
Table 4.17: Skewness and Kurtosis Values of the Study Variables	55
Table 4.18: Multicollinearity Test.....	58
Table 4.19: Model Summary of the Regression Analysis	59
Table 4.20: Results of the Analysis of Variance (ANOVA)	60
Table 4.21: Analysis of the Regression Model Coefficients	61
Table 4.22: Summary of Hypothesis Testing	66

LIST OF FIGURES

Figure 2.1: Conceptual Framework of the Study	28
Figure 4. 1: Scatterplot of Residuals of the Regression Model.....	55
Figure 4.2: Histogram of the Regression Model	57
Figure 4.3: The Normal P-P Plot of the Regression Model.....	57

LIST OF ABBREVIATIONS AND ACRONYMS

AW	Awareness
BR	Bank Reputation
CBE	Commercial Bank of Ethiopia
CD	Customers' Decision to Adopt Interest Free Banking
DTPB	Decomposed Theory of Planned Behavior
IDB	Islamic Development Bank
IDT	Innovations Diffusion Theory

IFB	Interest-Free Banking
NBE	National Bank of Ethiopia
OIB	Oromia International Bank
PCL	Perceived Complexity
PCT	Perceived Compatibility
PR	Perceived Risk
RA	Relative Advantage
RL	Religiosity
S.C.	Share Company
SD	Standard Deviation
SI	Social Influence
SPSS	Statistical Package for Social Science
TAM	Technology Acceptance Model
TBP	Theory of Planned Behavior

ABSTRACT

This paper aims to examine the main Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank Share Company. The researcher employed a cross-sectional explanatory research design and also a quantitative research approaches were used to collect and analyze primary data. This research collects primary data by distributing questionnaires to 398 customers of Interest Free Banking services in Addis Ababa and a total of 340 questionnaires were returned and used for analysis. The independent variables in this study are awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and

social influence. Meanwhile, the dependent variable is customers' decision to adopt interest free banking services. The result of this study indicates that awareness, bank reputation, social influence and perceived compatibility have a positive effect on customers' decision to adopt interest free banking services. Likewise, perceived complexity, relative advantage and religiosity have a significant and positive effect on customer intention to adopt interest free banking services. Meanwhile, perceived risk has a negative and significant effect on customers' decision to adopt interest free banking services in Dashen Bank Share Company. The study suggested that in order to assist the adopting of interest free banking services in the bank, the banks must actively promote themselves to the public to improve the reputation of interest free banking and to introduce innovations available in adopting interest free banking services.

Keywords: Interest Free Banking, Awareness, Bank Reputation, Perceived Complexity, Social Influence, Perceived Compatibility, Perceived Risk

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The advent of Islamic banking systems and interest-free banks is the most recent and significant development in the global banking industry, affecting both developed and developing countries. Even though Islam has been practiced for thousands of years, the practice of modern Islamic finance began in the 1970s as a substitute for the conventional financial system brought by the West (Habib, 2022). An organization that collects financial resources and invests them in an effort to achieve predetermined, authorized Islamic social and financial goals is referred to as an "Islamic Bank." Conventional banks employ an interest-free banking window as a commercial strategy to offer Islamic banking services and products through their existing branch network. In this instance, a conventional banking system offers some Islamic banking services or goods (Sanusi, 2011).

Regardless of a person's religious convictions, interest-free banking might be viewed as an alternative, moral source of funding. By changing investment accounts to include risk-sharing elements, Islamic banks can expand their portion of funding infrastructure projects (Ahmed, 2017). An essential component of Islamic banking is interest-free banking (IFB). It is about the core ethical and professional norms that forbid taking any form of payment or getting interest (Khan, 2016). Islamic banking aims to offer a religiously-based, interest-free banking system with shared values and customs (Usai, 2017).

Over the last ten years, interest-free banking has grown significantly and attained systemic relevance in across a wide range of industries. The growth of Islamic finance is anticipated to continue because to economic expansion in countries with sizable and largely unexplored Muslim communities. Additionally, the oil-exporting countries' combined cost savings are driving them to engage in Shariah-compliant financial products (Alfred, 2015).

Despite being one of the markets with the fastest development rates and being widely used, Islamic banking is not without its difficulties. Implementing Islamic law is extremely difficult for Islamic banking since there is insufficient interbank money market and tax regulation of interest-free banking (Zamil, 2014). In response to a significant public demand,

it was anticipated that Ethiopia's National Bank of Ethiopia (NBE) would issue a directive that would open the door for the opening of what would be considered the country's first Islamic bank (Habib, 2022).

Under a circulated NBE directive, Ethiopian citizens were allowed to establish a bank that exclusively engaged in interest-free banking. However, this hope was short-lived, as the finalized regulation did not allow the establishment of a fully-fledged Islamic financial institution (Habib, 2022). The final directive limits access to the option to establish an interest-free banking window to "existing commercial banks". Zemzem Bank, entered the banking industry as a full-fledged interest-free bank, was unable to start operations because of the regulatory directive's requirement that interest-free banking be offered alongside conventional banking services (Hailu & Bushera, 2020).

At the moment, the nation is home to both fully operational Islamic banks and conventional banks. In earlier years, commercial banks were permitted to provide IFB services in addition to their traditional activities by means of a directive (Directive No SBB/51/2011) issued by the National Bank of Ethiopia (NBE) in October 2011 (NBE business proclamation no 592/2008; Article 22(2)). A new rule on interest-free banks, No. 72, was into effect as of 2019 G.C. Interest-free banking services are permitted at the branch level and with fully operational Islamic banks under the new guideline in Ethiopia. Islamic finance has grown to be of systemic importance due to these directives, primarily in nations with fixed exchange rate regimes and underdeveloped financial markets, such as Bunna International Bank, Dashen Bank, Awash Bank, and Commercial Bank of Ethiopia (Hailu & Bushera, 2020).

Different studies conducted across the world regarding IFB such as studies conducted by Kaawaase and Nalukwago (2017), Bananuka et al. (2019) and Muslichah and Sanusi (2019) found a positive relationship between religiosity and customer intention to adopt IFB services in Uganda and Indonesia. Also, Obeid and Kaabachi (2016) found a strong relationship between bank reputation and customer intention in using IFB services. Several studies showed a strong relationship between customer awareness and decision to adopt IFB services in the world (Echchabi & Abdulaziz, 2012; Faisal et al., 2014; Sudarsono et al., 2021). Echchabi and Abdulaziz (2012) and Aziz et al. (2015) who demonstrated that the amount of information held by consumers about IFB, the relative advantage of Islamic banking, and its

compatibility with consumer values, lifestyle, and banking habits are predictors of its adoption in Morocco Furthermore, Hailu and Bushera (2020) proved that one of the important factors for customers to adopt IFB services is the ease of service in Ethiopia.

Increased knowledge of the goods and services provided by Islamic banks will encourage people who have not previously used them to invest in them, hence fostering their continuous expansion (Tsion, 2017). On the other hand, in a time of "innovation overload," when bank new products are constantly being introduced, many new product providers are acutely aware of the need to inform consumers as much as possible about their product to make customers aware. This is because new products require effective communication (Wondwosen, 2018). Customers may be discouraged from using interest-free banking services as a result of this misunderstanding and false information. As a result, ignorance about the objectives, principles, and advantages of Islamic banking will present challenges for the IFB project (Sefian, 2015). The lack of sharia advisory boards, client ignorance of interest-free banking, low consumer confidence, and the service's unavailability across all branches are some of the obstacles facing interest-free banking (Sisay, 2017). Therefore this study tried to investigate Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C.

1.1.1. Brief History of Interest-Free Banking in Ethiopia

In 2008, the Ethiopian Banking Business Proclamation (592/2008) was amended to include a provision for interest-free banking. In 2011, the National Bank of Ethiopia issued a directive to authorize the business of interest-free banking (SSB/51/2011). The National Bank of Ethiopia's (NBE) directive that allowed banks to offer interest-free banking services alongside their conventional operations came into play in October 2011, but interest-free banking in Ethiopia only started in September 2013, when *Oromia* International Bank (OIB) launched the service according to *Guluma* 2017. A month later, Commercial Bank of Ethiopia (CBE) joined the market at the end of October, 2013 followed by United Bank which began providing the service on May 1, 2014. Two years later, *Abay* Bank has again joined as of December 2015; Cooperative Bank of *Oromia* as of March 2015, *Wegagen* Bank has joined the industry in second half of 2016. *Dashen* Bank has joined the interest-free banking sector by offering dual window service on March 5th, 2018. As of March 31st, 2021

Dashen Bank has 142,193 deposit account holders and 71 financing account holders (Dashen Bank S.C., 2022).

There was no legal framework that permits the establishment of Islamic finance in Ethiopia before 2008. As a result, Ethiopian Muslims were demanding for years, the establishment of Interest free banking service. In 2007, Ethiopian Muslims Diaspora community representatives presented different questions for the late Prime Minister Meles Zenawi. The request for permission to establish Islamic banking in Ethiopia was among these questions (Feyissa, 2012). Furthermore, in 2008, a group of entrepreneurs and community leaders with the aspiration to establish an Interest free bank named “Zem-zem bank” presented the benefit and importance of Islamic finance for the late Prime Minister Meles Zenawi. After the meeting, the prime minister directed the National Bank of Ethiopia (NBE) to issue a new proclamation that permitted the establishment of Interest-free finance in Ethiopia (Al-Hashimi, 2012). Consequently, NBE issued a Proclamation concerning Banking Business: Proclamation No: 592/2008. In this Proclamation, Article 22, Sub-article 2 states “The National Bank may issue a directive to regulate banking businesses related to non-interest-bearing deposit mobilization and fund utilization.” This was the first practical measures taken by NBE to adopt the practice of Islamic finance in Ethiopia (NBE, 2022).

Based on Proclamation No: 592/2008: Article 22, Sub-article 2, all conventional banks in Ethiopia started to accept interest-free deposits from those customers who are interested in interest-free banking service. A substantial amount of money is deposited in all conventional banks, with depositor aiming no more than a safeguard. Currently from the 18 conventional banks, 10 of them are providing IFB service through window and on the other hand, Zamzam bank organizers started selling shares in December 2010 to establish a full-fledged Interest free bank. Though the minimum paid-up capital to establish a bank was 75 million Ethiopian Birr (2.7 Million USD), Zamzam bank was able to collect 137 million Birr (4.9 million USD), almost twice as much the minimum paid-up capital, within four months from more than 6800 subscribers (Zam-zam Bank Under formation, 2012). Nevertheless, a new directive was issued by NBE that undermined the hope of establishing full-fledged Islamic banking in Ethiopia. This directive is called “Directives to Authorize the Business of interest-Free Banking No. SBB/51/2011”. According to this directive, only established conventional banks can offer interest free banking merely on window modes. Article 2: sub-article 3

defines an interest-free banking window as a unit within a conventional bank exclusively offering interest-free banking services”. No explanation was given from the government as to why this directive is decreed outlawing the former one. Following this directive, Commercial Bank of Ethiopia (CBE) and Oromia International Bank (OIB) got an endorsement from the NBE to offer interest-free banking window services in 2013. Currently, almost all conventional banks in Ethiopia are offering interest-free banking window (NBE, 2022).

Even though the NBE closed the door to establishing full-fledged Interest free bank in Ethiopia, Muslim communities did not give up from demanding it. After a 7 years exclusive interest-free banking window practice in Ethiopia, the NBE issued a new proclamation that permits the establishment of full-fledged interest-free banking in Ethiopia in May 2019. The proclamation is known as proclamation No: 1159/2019 to approve for the amendment of banking business proclamation. In this proclamation article 59 devoted to “interest-free bank” and sub-article 1 states that: “Without prejudice to the requirements of specified under the provisions of the proclamation, the National Bank may issue a Directive to prescribe additional conditions of licensing, supervision and requirements to establish Interest-Free Bank. For this sub-article, Interest-Free Bank means a company licensed by National Bank to undertake only interest-free banking business” (NBE, 2022).

Proclamation No: 1159/2019 made the dream of establishing a full-fledged interest-free bank in Ethiopia real. The proclamation was issued after the current Prime Minister Dr, Abiy Ahmed promised to permit the establishment of full-fledged interest-free banking on his speech during the Ramadan Iftar (fast-breaking) program organized by the Ethiopian Islamic Affairs Supreme Council (EIASC) at Millennium Hall on May 22, 2019 (Getachew & Kedir, 2019).

Following the prime minister's promise and the declaration of proclamation No: 1159/2019, several share companies queued requesting a license from NBE to provide full-fledged interest-free banking services in Ethiopia. According to Tadesse (2019), until July 2019, four banks named Zem-zem, Hijira, Nejashi and Zad were in the stage of establishment, but currently they were fully opened and providing full-fledged interest-free banking services in Ethiopia, while another four share companies are in process to get a license from NBE.

1.2.Statement of the Problem

There is a sizable number of Muslims living in Ethiopia. Muslims make up 34% of Ethiopia's overall population, according to the Central Statistics Authority of Ethiopia's 2007 census (CSA, 2007). Regretfully, there is very little bank service penetration in Ethiopia. According to the Global Findex Database 2017, just 34.8% of adults over the age of 15 have a bank account. This indicates that 65.2% of Ethiopian adults do not have access to essential financial services (Demirgüç-Kunt, et al., 2018). Ethiopian financial exclusion, which led to the country's use of law banks, was mostly caused by the lack of alternative, sharia-compliant financial products and services (Hailu, Kapusuzoglu, & Ceylan, 2019).

A more comprehensive idea of the interest-free banking sector is that it is expanding rapidly on a global scale, and its wider appeal is linked to its ethical banking practices and philosophy (Habib, 2022). According to Ali et al. (2017), interest-free banking is expected to adhere strictly to Sharia compliance and forbid interest (Riba). Its involvement is not limited to the giving and taking of interest, but also forbids other activities like alcohol, gambling, and speculation, which are deemed unethical under Islamic laws. With less than 50 years of experience in the banking sector, interest-free banking is a relatively new phenomena that was only introduced to Ethiopia in the 2010s (Hailu & Bushera, 2020). Following the National Bank of Ethiopia's (SSB/72/2019) modification, three full-fledged banks were entered the market. Previously, conventional banks offered dual window service. Currently, full-fledged banks were entered to the sector (Ahmed, 2019). In response to these phenomena, conventional banks are also opening branches just for interest-free banking, which is intensifying competition. The ability of Islamic financial institutions to create and carry out effective marketing strategies will determine the industry's potential to achieve significant market share in a difficult financial climate, especially in a dual-banking system like Ethiopia. This will necessitate having a thorough grasp of the attitudes, behaviors, and perceptions of their target audience.

The majority of preview studies in Ethiopia concentrated on the difficulties and potential benefits of interest-free banking; for example, Olad (2012) examined the opportunities, difficulties, and potential benefits of Islamic banking in Ethiopia. The Commercial Bank of Ethiopia was the subject of a recent research by Abdulhade (2020) on the prospects and

constraints of Islamic bank expansion in Ethiopia. Hailu (2015) also carried a research on the challenges faced by Islamic banking and its potential to raise capital in Ethiopian commercial banks. In addition, Demissie (2019) conducted a study on the factors influencing Ethiopia's decision to implement interest-free banking.

A study by Habib (2022) examined the factors influencing a customer's intention to use interest-free banking products and services of Commercial Banks in Ethiopia (The Case of Jigjiga City). However, there aren't many studies on the factors influencing customers' decision to adopt interest-free banking in Ethiopia. Therefore, more investigation is required to comprehend the elements influencing Ethiopian clients' choice to switch to interest-free banking. As a result, in order to address this gap and contribute to the literature on interest free banking services in Ethiopia, this study concentrated on examining the factors affecting customers' decision to adopt interest free banking in Ethiopia in the banking industry, notably in Ethiopia's Dashen Bank S.C. Moreover the study included more variables on factors influencing a customer's intention to use interest-free banking products and services than the study conducted previously. Besides, this study aims to evaluate the effect of awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence on customer decision to adopt interest-free banking services in Ethiopia specifically in Dashen Bank S.C.

1.3.Objectives of the Study

1.3.1. General Objective of the Study

The general objective of the study was to investigate the factors affecting customers' decision to adopt interest free banking in Ethiopia: The Case of Dashen Bank S.C.

1.3.2. Specific Objectives of the Study

The study pursued the following specific objectives:

- To assess the effect of awareness on customers' decision to adopt interest free banking in Dashen Bank S.C.
- To assess the effect of bank reputation on customers' decision to adopt interest free banking in Dashen Bank S.C.
- To investigate the impact of perceived complexity on customers' decision to adopt interest free banking in Dashen Bank S.C.

- To investigate the impact of perceived compatibility on customers' decision to adopt interest free banking in Dashen Bank S.C.
- To see the impact of perceived risk on customers' decision to adopt interest free banking in Dashen Bank S.C.
- To see the impact of relative advantage on customers' decision to adopt interest free banking in Dashen Bank S.C.
- To assess the religiosity on customers' decision to adopt interest free banking in Dashen Bank S.C.
- To assess the social influence challenges on customers' decision to adopt interest free banking in Dashen Bank S.C.

1.4.Hypotheses of the Study

The researcher has formulated the following hypotheses from the literature reviews:

- H_{a1}:** Awareness positively affects customers' decision to adopt interest free banking services.
- H_{a2}:** Bank reputation positively affects customers' decision to adopt interest free banking services.
- H_{a3}:** Complexity negatively affects customers' decision to adopt interest free banking services.
- H_{a4}:** Compatibility positively affects customers' decision to adopt interest free banking services.
- H_{a5}:** Perceived risk negatively affects customers' decision to adopt interest free banking services.
- H_{a6}:** Relative advantage positively affects customers' decision to adopt interest free banking services.
- H_{a7}:** Religiosity positively affects customers' decision to adopt interest free banking services.
- H_{a8}:** Social influence positively affects customers' decision to adopt interest free banking services.

1.5. Significance of the Study

The benefit of this study is to help interest-free bank managers identify the Islamic banking services needed by customers. The identification of these services is needed for the management of interest-free banks to prioritize and allocate resources to improve the services. Finally, by identifying and prioritizing services, managers can improve their marketing strategy as a solution to bring the satisfaction of interest-free bank customers in Ethiopia.

The study can be used as reference material by future researchers interested in further research on customers' decision to adopt interest free banking in Ethiopia by providing useful information. The study added to the existing literature, and would be an important tool for students, academicians, institutions, corporate managers and individuals who wanted to learn more about interest free banking.

This study is of importance to the researcher as it equips the researcher with the knowledge of the customers' decision to adopt interest free banking services on financial institution. It would also enable the researcher to obtain a degree in Masters of Business Administration (MBA) in management.

1.6. Scope of the Study

In pursuance of the objective of the study, conceptually the research paper focused on examining the customers' decision to adopt interest free banking in Dashen Bank S.C. Addis Ababa branches until October 2023. Conceptually, the study considered awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence as factors affecting customer decision to adopt interest-free banking services in Ethiopia specifically in Dashen Bank S.C.

Methodologically, the data for this study were collected through questionnaire from customers of the banks by using purposive sampling method. The researcher employed both quantitative approaches to deal with the analysis of the data. The data obtained through a structured questionnaire were analyzed quantitatively. And the survey results were presented through descriptive and inferential statistics using IBM SPSS statistics software version 23 employing frequency mean, standard deviation, correlation and regression results. Therefore, any of the analysis and finding of this research confined only to the selected case study area.

The results and conclusions in this finding may not be valid to places outside of the case study area.

1.7. Limitations of the Study

All the primary data obtained from respondents through questionnaires so the response might be on their perceptions, thus research findings might be biased. However these limitations in the study leave future ground for explorations and research on the subject. Due to the relative newness of the interest free banking in Ethiopia, it was very difficult to get a well experienced and knowledgeable expert on the area that could give the researcher a broader perspective on the matter as well as literature in this area from the country perspective on the matter. Because the area coverage of this study was delimited to only one type of banking company (i.e., Dashen Bank S.C.), the targeted population numbers for this study was large. But the researcher used a representative sample size for the purpose of maximizing the credibility of the study. On top of this, the conclusions and recommendations that drawn by this study would be applicable only to the study area incorporated in the study.

1.8. Definition of Arabic Terms

<i>Amanah</i>	A contract under which an object or a bank deposit is held on trust
<i>Fiqh</i>	Islamic jurisprudence
<i>Gharar</i>	Legal uncertainty such as contractual ambiguity which could result in one of the parties to a contract exploiting the other
<i>Ijara</i>	An operational leasing contract where the owner responsibilities justifies the payment of rent.
<i>Istisna'a</i>	The sales contracts that requires the manufacturer of the good or the contractor of facility to exact specifications that are stipulated before the work commences.
<i>Maysir</i>	A game of chance involving gambling
<i>Mudaraba</i>	A partnership contract between an investor, the rabb al maal, and a business manager, the mudarib, which provides for profit sharing, with the rabb al maal

receiving a return on their financial investment while the *mudarib* receives a share of the profit assessed on the basis of the value of their effort.

Murabaha A sale contract whereby an Islamic financial institution sells a good to a client who makes deferred payments including a profit markup.

Musharaka A partnership contract between investors whereby they obtain predetermined shares in any profits generated. The partners take an active role in management, the extent of that activity being defined in the contract.

Qard Hasan An interest-free loan, the only type of loan agreement permissible under *Sharia'a*. Although Islamic financial institutions cannot profit from the loan, they may levy a set-up fee and an annual management levy to cover administrative expenses.

Riba An addition to the principal of a loan, which is usually equated with interest

Riba al-Nasi'ah Riba of Delay

Riba al-fadl Riba of excess

Salam Advance payments in full for a commodity for delivery at a future date. This contract was originally used for the financing of agricultural production with the advance payment being used by farmers to cover labor, seed, irrigation and other costs during planting and cultivation while benefiting from a fixed price on harvesting.

Shari'a The Islamic law based on the Divine guidance provided by the Quran and the Sunnah, practices or 'way' of the Prophet Muhammad during his life time

Wadiah A peculiar non-earning type of IFB deposit that operates under the contract of *Wadiah Yad Dh amanah* (guaranteed custody).

1.9. Organization of the Study

The study were organized into five chapters: **Chapter one:** incorporated introduction part and focuses on: background of the research, statement of the problem, research objectives, research questions, significance of the study, scope and limitation of the study and organization of the study. **Chapter two:** incorporated review of literature part and focuses

on: theoretical review and empirical review pertinent to this study. **Chapter three:** incorporated methodology part and focuses on: description of the study area, data type and source, research design, sampling design and sample determination, methods of data analysis and definition and operationalization of variables. **Chapter four:** incorporated presentation, analysis and interpretation of data. And finally **Chapter five:** incorporated the conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

Basic notions about factors affecting customers' decision to adopt interest free banking are discussed in this section. It can be divided into two categories: theoretical and empirical.

2.1. Interest Free Banking

3.1.1. Definition, Evolution and Major Principles of Interest Free Banking

Interest-free banking business refers to banking business in which mobilizing or advancing funds is undertaken in a manner consistent with Islamic finance principles and mode of operation that avoids receiving or paying interest; and “interest-free banking window” refers to a unit within a conventional bank exclusively offering interest-free banking services (Teferi, 2015). According to the study made by Ibrahim (2012), the concept of Islamic Banking and Interest-Free Banking is synonymously used in Islamic Economics literature as an alternative banking framework to the interest-based conventional banking practice. However, there is a difference between an interest-free bank and an Islamic bank but they are sometimes used interchangeably. Islamic banking not only avoids interest in all its ramifications but also it avoids all other Islamically prohibited activities. Interest-free banking system on the other hand, does not engage in interest but there is no reason to suppose that all its other activities will be done strictly according to Islamic law “Shariah”. Islamic banking, the more general term is expected not only to avoid interest-based transactions, prohibited in the Islamic Shariah, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy (Ahmed, 2017).

Gait and Worthington (2007) defines Islamic finance as “financial institutions and products designed to comply with the central tenets of Sharia (or Islamic law) – is one of the most rapidly growing segments of the global finance industry”. According to Franzoni and Allali (2018), quite apart from the conventional finance, Islamic finance is built upon five pillars which are the indispensable measurements of religious validity (Sharia Compliance) of any financial activity performed under the umbrella of Islamic finance. These fundamental pillars are prohibition of Riba (interest), ban on speculative elements in financial contracts (Gharar), Prohibition of gambling (mayser), ban on the use of trade and investment involving any

element of prohibited asset or activity (Haram), profit and loss sharing principle and the imperative to have real assets underlying any given financial transaction.

Interest free banking is a form of banking system which operates based on the business transaction ethics and principles of Islamic Law known as *Sharia'a* (Roy, 2011; Iqbal & Llewellyn, 2002). Instead of a lender-borrower relationship, interest-free banking relies on equitable risk-sharing between the provider of capital and entrepreneur. This banking service is being given in two forms, full-fledged banking and window based. Interest-free window refers to the services provided by conventional banks but these services are based on Islamic Law (Teferi, 2015).

According to Roy (2011) and Iqbal and Llewellyn (2002), the first formal antecedent of modern interest-free banking can be traced back to the *Bayt al-Mal*, which dispensed pensions for needy citizens and disabled war veterans. During the medieval period, it acted as the 'State Bank' of the Muslim community. Established as a special department of the central secretariat of the state bureaucracy, it was supervised and directed by a government official called *khazin al-mal* or *sahib al-makhazin*, and at the provincial level by a treasurer, the *khazin* or *amin*. The public treasury of the *Bayt al-Mal* operated as both agricultural credit bank and commercial bank. Merchants could borrow from this treasury in one region to buy goods and, upon selling in another province, repay the debt at the nearest *Bayt al-Mal*, whereupon the sum would be credited to the account of province from which the money had been drawn (Schoon, 2016).

The first modern banking venture adhering to the tenets of Islamic law was founded in the late 1950s in a rural section of Pakistan. The institution was backed by a few landlords who made deposits of funds without interest; credit was advanced to poorer landowners for agricultural improvements. No interest was charged for the credit, but there was a small administrative fee to cover bank operating costs. There was no shortage of borrowers but depositors tended to view their payments into the institution as a one-time commitment. As a result, it was not long before this pilot project ran out of funds (Solé, 2007).

The depositors also took an inordinate amount of interest in the manner their deposits were loaned out. This caused major problems for the bank. Not only was it forced to operate with

very little government support, but it also could not make decisions without first consulting the major depositors (Schoon, 2016).

In 1963, a similar experiment, the *Mit-Ghamr* Savings Bank project was established in the Nile Delta. Its main purpose was to induce lower income farmers and agricultural workers to save and to mobilize their earnings for developmental investment. Within three years it had 60,000 depositors and had opened four new branches. No interest was paid on deposits, but borrower, to receive an interest-free loan, had to have a minimum sum in a savings account for at least one year (Schoon, 2016). Loans were used for a variety of projects, usually for short terms of one to three years as in Pakistan. *Mit-Ghamr* Savings Bank charged only a small administrative fee which was fixed at the time of the loan; borrowers were not required to pay back more even if their financial position improved substantially. Because the bank did not show a net profit, funds to cover administrative expenses were limited which led to problems with the banking staff. Thus, as in the case of the Pakistan project, the *Mit-Ghamr* bank failed due to lack of government and staff support (Schoon, 2016).

In the early 1970s, a meeting of the foreign ministers of Islamic countries was held in Jeddah to discuss Islamic banking. As a result, the Nasser Social Bank of Egypt was created in 1972 and by 1979 it had 25 branches throughout Egypt, with total deposits of \$28.6 million. Late in 1972, the foreign ministers of Islamic states met again in Jeddah, where a special committee was formed to prepare the Islamic Banking Agreement. Subsequently, in 1973 and 1974, they approved the articles of an inter-governmental financial agency, and the Islamic Development Bank (IDB) was formed (Iqbal & Llewellyn, 2002).

A number of Islamic banks have been founded since the mid-seventies. The Dubai Islamic Bank (DIB) was established in March 1975 and is considered the first to be involved in the financing of industry, agriculture and real estate. The Faisal Islamic Banks (FIB) was formed in 1977 in Cairo. The Kuwait Finance House (KFH) was also founded in 1977. Other Islamic banks founded over the last few years include the Bahrain Islamic Bank (1978), the Jordan Islamic Bank for Finance and Investment (1978), the Islamic International Bank for Investment and Development, Egypt (1980), and the Masraf Faisal al-Islami, Bahrain (1982). Since then, in addition to Middle-Eastern and Islamic Countries, interest-free banking has proliferated to east and west (Iqbal & Llewellyn, 2002).

As noted earlier, interest-free banking is rooted in Islamic Law called *Shari'a*. The most prominent principle is the prohibition of taking and paying interest. The following table depicts the basic principles of interest-free banking.

Table 2.1: Basic Principles of Interest-Free Banking

Principle	Description
Prohibition of Interest (<i>Riba</i>)	The central tenet of the system is a prohibition of <i>riba</i> , a term literally meaning “an excess” and interpreted as “any unjustifiable increase of capital whether in loans or sales.” More precisely, any positive, fixed, predetermined rate tied to the maturity and the amount of principal (guaranteed regardless of the performance of the investment) is considered <i>riba</i> and is prohibited. The general consensus among Islamic scholars is that <i>riba</i> covers not only usury but also the charging of “interest”. This prohibition is based on arguments of social justice, equality, and property rights.
Risk Sharing	Because interest is prohibited, pure debt security is eliminated from the system. Therefore, suppliers of funds become investors instead of creditors. The provider of financial capital and the entrepreneur share business risks in return for shares of the profits and losses.
Asset-Based Transactions	The prohibition of debt and encouragement of risk sharing suggests a financial system where there is a direct link between the real and the financial sector. As a result, the system promotes the “materiality” aspect, which requires linking financing directly with the underlying asset so that the financing activity is clearly and closely identified with the real sector activity.
Money as “Potential” Capital	Money is treated as “potential” capital that is, it becomes actual capital only when it joins with other resources to undertake a productive activity. Islam recognizes the time value of money, but only when it acts actively as capital, not when it is “potential” capital.
Prohibition of Speculative	An Islamic financial system discourages hoarding and prohibits transactions featuring extreme uncertainties

Behavior	
Sanctity of Contracts and Preservation of Property Rights	Islam upholds contractual obligations and the disclosure of information as a sacred duty. This feature is intended to reduce the risk of asymmetric information and moral hazard. Islam places great importance on preservation of property rights; defines a balance between rights of individuals, society, and the state; and strongly prohibits encroachment of anyone's property rights.

Source: Iqbal & Mirakhor, (2013).

Iqbal and Llewellyn (2002) noted here that the prohibition of interest in Islam does not mean that capital is not to be rewarded nor that risk is not to be priced. The Islamic system has both fixed and variable return modes to price the capital and add risk premia according to the degree of risk involved. Islamic banks provide financing using two methods. The first is based on profit-sharing and the second involves modes which depend on fixed return (mark-up) and often end in creating indebtedness of the party seeking finance. The modes of finance used by Islamic banks are, however, unique for two reasons. First, debt associated with financing by way of mark-up modes results from real commodity sale/purchase operations, rather than the exchange of money for interest-bearing debt. Unlike conventional debt, such debt is not marketable except at its nominal value. Second, the introduction into banking of modes that depend on profit-sharing is an innovation that brings important advantages.

3.1.2. Interest Free Banking Products and Services

Due to the prohibitions on interest, gambling, uncertainty and short selling, Interest-Free financial products are not the same as conventional financial products. Accumulation of wealth is encouraged, but not by making money with money. There always has to be an underlying asset or enterprise that requires financing. Any Islamic financial transaction needs to be free of interest, gambling and uncertainty, and in addition needs to be associated with either an asset or an enterprise. Schoon (2016) has enlisted the following criteria which are expected to be fulfilled by any asset of transaction.

- **Permissibility:** The asset needs to be permissible in the eyes of *Sharia'a*, which means it should not be any of the forbidden items such as conventional banking and

insurance, alcohol, pork and non-compliant food production, gambling, tobacco, adult entertainment, and weapons, arms and defense manufacturing (Schoon, 2016).

- **Existence:** The asset should be in existence at the time the counterparties enter into the contract. Exceptions to this criterion exist when the purpose of the contract is to grow, build or construct the underlying asset (Schoon, 2016).
- **Ownership:** The asset should be owned by the seller. This does not imply that the seller needs to have the goods with him there and then. Ownership could also be constructive. Under constructive ownership, the goods are under the direct control of the owner even though he may not physically have them with him. However, a contract to sell a car that is currently owned by my brother under the assumption that he will sell it to me would be void. Under the same principle that one cannot sell what one does not own, short selling, which is particularly popular with hedge funds, is prohibited (Schoon, 2016).
- **Ability to deliver:** The seller has to be able to deliver the goods; absolute inability to deliver the goods results in the contract being void. Non-absolute inability to deliver applies to immovable goods or where possession is constructive. For example, I have bought a crane, which is currently awaiting instructions for delivery at the factory. In this case, I am the owner, have taken constructive possession and am in a position to sell. Even though I cannot deliver the crane here and now, my inability to deliver is non-absolute. Either the buyer or I can, after all, instruct the factory directly with the delivery details. This also applies to goods in transit (Schoon, 2016).
- **Specificity:** The subject must be specific and determined without any uncertainty. There are several ways to determine the asset, which largely depend on the type of transaction and how it is conducted. The easiest example is when you purchase something in a shop. You pick it from the shelf, and therefore the asset is as specific as it can be. Alternatively, it is possible to specify all details in a contract (e.g. the plans when buying real estate that still needs to be developed) or the distinguishing parts for mass-produced goods (e.g. 100-watt Phillips light bulb, pear shaped, clear glass) (Schoon, 2016).

The general prohibitions, the contract elements and the restrictions on the asset do not just apply to trade; they equally apply to financial transactions. As a result, the transaction types

in Islamic finance differ from those in conventional finance. Short selling and speculative transaction types such as futures, options and other derivatives are not permissible. In addition, the transaction always needs to be associated with an underlying asset or business (Gait & Worthington, 2007).

The contracts used for Islamic finance fall into two major groups: sale contracts (and contracts derived from sale like credit sale and lease) and partnership contracts (in various forms) (Sudarsono et al., 2021).

Sudarsono et al. (2021) asserts that Islamic economists strongly favor the partnership contract as the ideal form for Islamic credit and investment, since it defines a model for investment they consider unique to Islam: return equals a pre-agreed percentage of actual net revenues; capital losses fall solely on capital and not on labor. This model is heralded as a third way between capitalism and socialism, and as far fairer and more productive than interest-taking. But lawyers – and the historical and contemporary practice of Islamic finance – rely on sale and its derivatives as the more natural alternative to interest and the more practical medium for investment and credit. Sale contracts have many advantages over partnerships, including allowing compensation for credit, security against loss, use of collateral and fixed obligations enforceable in court. The following are some contracts in use in Islamic finance according to Uddin (2015).

A. Sale-Based Transactions

a) Mark-up sale (*murabaha bi-amr li-al-shira*’, literally mark-up sale with commission to purchase)

This trade finance transaction accounts for from 80 to 95 per cent (estimates vary) of Islamic bank revenue. A customer desiring to finance purchase of goods asks the bank to purchase the goods and then resell them to him. The bank’s purchase from a supplier will be for cash, and the customer’s purchase from the bank, the second purchase, will be on time, usually in installments. The bank calculates the price of the second sale as an agreed mark-up over its own costs. From an economic point of view, *Murabaha* may seem identical to the financing of a purchase of goods. But from a legal point of view it does differ, specifically insofar as the bank must take title, however momentarily, of the goods (Uddin, 2015).

b) Lease (*Ijara*)

Lease or *Ijara* is also considered a sale transaction – the sale of the right to use property. *Ijara* has become a vital transaction for Islamic banks since it is very flexible, easily adapted to financing, and creates its own collateral. Islamic leases are increasingly being standardized and treated much like conventional leases. *Ijara wa-iqtina*’ is a transaction whereby the lessee not only pays rent but progressively buys a share in the leased property, reducing the rent as he does so. This is a very common transaction, and is now being used for home mortgages in the United States (Uddin, 2015).

c) Commissioned Manufacture (*Istisna*)

Another important transaction, named “*istisna*” meaning “commissioned manufacture”, is used to finance manufacture or production. Typically, by this contract a customer gives specifications for a manufactured good to a manufacturer who produces the good for a price and delivery date fixed in the contract (Uddin, 2015).

d) Advance purchase (*Salam*)

Salam is an increasingly important transaction, typically for financing agriculture (Uddin, 2015).

e) Services

Islamic banks may readily sell their services, virtually without restriction. For example, they may earn fees for letters of credit, payment and collection services, or investment advice. Similarly, agency relationships may be compensated in various ways, even by a share of profits (Uddin, 2015).

B. Partnerships

a) *Mudaraba*

Mudaraba is considered the most Islamically pristine form for Islamic finance, the one that Islamic economists hold out as epitomizing the Islamic ideal. Known in medieval Europe as *commenda*, it is a transaction by which one party, called the capital owner, invests only capital and remains a silent, non-managing partner. The other partner, the entrepreneur, invests time and effort, but no capital. As explained above, Islamic rules enjoin that, if there are losses, they fall entirely on the capital owner. If there are profits, the parties share them according to a percentage determined in advance in their contract. This contract is the one on which the Islamic commercial bank itself is modeled. The bank’s depositors are considered

capital investors, owners of capital, and the bank is the entrepreneur. A problem arises in that deposits in this conception may sustain losses, a result obviously opposed to the ordinary expectation elsewhere as to bank deposits. Moreover, since Islamic law prevents guaranteeing capital investors against loss, deposit insurance faces a stumbling block. If a depositor wishes to be secure against losses, then Islamic law construes his investment as a true deposit or bailment (*wadi'a*) which under Islamic law earns no return (Uddin, 2015).

Mudaraba is important also on the other side of the bank's balance sheet, as a basis on which Islamic banks extend credit to customers, a substitute for loans. For example, the bank contributes to the customer's business a quantity of inventory and earns a share of the profits from the sale of that inventory.

Mudaraba can be arranged as diminishing (*mutanaqisa*), meaning a contract by which the customer progressively purchases the bank's ownership share by making payments of principal in addition to profits owed (Uddin, 2015).

Mudaraba faces certain problems in practical use. First, it makes banks investors in their customers' businesses, drawing them into the need to supervise in various ways. Second, as early experiments with *mudaraba* investments showed, Islamic banks risk losses when *mudaraba* is used extensively. Since the bank must bear all losses, customers are tempted to increase costs or to distort accounts. Third, as noted above, banks may not take security against investment losses. But they may, and do, take security against a customer's engaging in negligence or impropriety. Fourth, given the availability to most borrowers of an interest-based alternative, a problem of adverse selection arises: borrowers will tend to finance ventures with worse risk-reward profiles Islamically and get interest-loans for the others, since in the latter case they get to keep 100 per cent of gains above the fixed interest rate for themselves (Uddin, 2015).

A third important use of *mudaraba* is as the model by which the modern legal institutions of Share Corporation and common stock have been understood by Islamic law and declared lawful. Islamic finance builds on this result by using *mudaraba* to justify numerous types of funds and securitizations. These form a large and growing part of Islamic finance business. Islamic mutual funds exist that invest in conventional equity securities after applying an Islamic "filter" to screen out companies that have too high a debt to equity ratio (since

otherwise the fund would be deemed to be paying or receiving interest) or that invest in pork, alcohol, gambling, and so on. In this respect such funds resemble various socially conscious funds (Uddin, 2015).

b) *Musharaka*

Another form of partnership, *musharaka*, differs from *mudaraba* in that capital investors are also active in management. This term is used when a bank not only contributes money to a business but also takes a hand in its management or when the customer contributes not only management but also capital (Uddin, 2015).

2.2. Theoretical Review

2.2.1. The Decomposed Theory of Planned Behavior (DTPB)

Decomposed TPB (DTPB) was originated by Taylor and Todd (1995) in an effort to understand behavioral intention towards using information systems. Basically, DTPB is a combination of Theory of Planned Behavior (TPB) and Innovation of Diffusion Theory. Unlike TPB, DTPB decomposes the attitudinal, normative and control beliefs into multidimensional constructs. According to Taylor and Todd (1995), DTPB is able to provide more explanatory power, better diagnostic value and strengthen the ability of the model to explain behavioral intention. Although this theory is specifically tailored to understand the intention to use information technology, some of the factors are useful and relevant to be adapted in order to understand factors influencing intention to participate in financial service. This is based on the fact that the implication of the DTPB can be changed, by changing attitudes, subjective norm and perceived behavioral control towards a specific behavior (Taylor & Todd, 1995). Originally, DTPB identifies three latent variables, namely perceived usefulness, ease of use and compatibility to affect an individual attitude. DTPB also classifies two latent variables for subjective norms which are “personal referents” and “superior inferences”.

In addition, DTPB also identifies three latent determinants of perceived behavioral control namely self-efficacy, resources facilitating condition and technology facilitating condition. Basically, self-efficacy, originated by Fishbein (1991) refers internal perception to perform the specific behavior while resource facilitating conditions, originated by Triandis (1980) refers to external beliefs of an individual's to engage in the behavior.

Sudarsono et al. (2021) and Habib (2022) have adopted DTPB but differently. Sudarsono et al. (2021) has adopted the full model while Habib (2022) modified the model by introducing perceived trust and perceived risk into the attitude construct.

Habib (2022) has posited the following rationales for why he selected Decomposed Theory of Planned Behavior as theoretical foundation for his study.

- DTPB is one of the most influential and comprehensive theories for studying adoption processes.
- Though DTPB applied on highly information technology adoption models, the model has also widely used on Islamic banking Adoption;
- The DTPB model can be considered as holistic model of innovation adoption which represents the TRA, PBD and IDT core constructs decomposing beliefs into multidimensional constructs.
- Initially, the TRA and TPB has been widely applied in its original or extended form to predict and explain buying intentions and changing behavior of consumers. Later, these theories are also used and modified by other researchers in predicting and explaining innovation acceptance. Among, the DTPB was modified from these models that can be used of predicting and explaining the changing behavior of consumers in addition to acceptance model of innovation. Hence, the researchers' conviction is that the DTPB is consistent to predict and explain factors influencing customer's adoption of IFB in Ethiopia.

Taylor and Todd (1995) initially suggest that the behavioral belief should be decomposed based on the Innovations Diffusion Theory (IDT) (Rogers, 1983) and Technology Acceptance Model (TAM) (Davies, 1989), including only three main dimensions, namely, compatibility, complexity and relative advantage. Nevertheless, the subsequent studies proved that some of the other dimensions of IDT as well as other dimensions have also a significant influence on the attitude towards behavior, including uncertainty or perceived risk (Walid et al. 2018; Demissie, 2019; Habib, 2022), awareness (Souiden and Marzouki, 2015; Obeid and Kaabachi, 2016; Sudarsono et al., 2021), and subjective norm (Taylor and Todd, 1995; Echchabi and Abdulaziz, 2012). Hence, the belief structure will be decomposed into

eight main dimensions i.e. awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence

On the other hand, the control belief structure is decomposed into two main constructs. The first is of internal control order i.e. self-efficacy, while the second is external in nature i.e. facilitating conditions (Taylor & Todd, 1995). Finally, Taylor and Todd (1995) consider that the decomposition of normative beliefs should be related to the divergence of opinions among referent groups. Particularly, in cases where referent groups are expected to be of similar opinions, decomposition will not provide any additional contribution. Hence the normative belief structure will not be further decomposed, but will rather be kept as such.

2.3. Empirical Review of the Study

2.3.1. Factors Affecting Customers' Decision to Adopt Interest Free Banking

2.3.1.1. Awareness of the Service and Adoption of IFB

According to Oxford Dictionary; “Awareness is concern about and well-informed interest in a particular situation or development”. In this study we examine the awareness/knowledge regarding product and services, awareness in term of advertisement and awareness about financial teaching of Islam about IFB. Previous studies provide evidences about the impact of awareness regarding products and services. Rammal and Zurbruegg (2007) discovered that people were interested in IFB products however unawareness to these products was the biggest hurdle in Australian market. The customer’s awareness level towards IFB products is better in some of the common products such as current accounts, time deposit account. But most of the customers are unaware of the specific Islamic financial products such as Murabaha, Ijara Khattak and Rehman (Bekele, 2018).

In various contexts, the relationship between customer awareness and intention to adopt IFB banking services has been investigated by existing literature (Khattak & Rehman, 2010; Bekele, 2018; Demissie, 2019). The strong relationship between customer awareness and decision to adopt IFB services has been proven in several studies (Echchabi & Abdulaziz, 2012; Faisal et al., 2014; Sudarsono et al., 2021). By considering the results of previous studies related to the relationship between awareness and customer decision to adopt IFB services, the following hypotheses were formulated:

H_{a1}: Awareness positively affects customer decision to adopt IFB services.

2.3.1.2. Bank Reputation and Adoption of IFB

The relationship between bank reputation and the customer intention to adopt IFB services has been examined by many researchers (Peng et al., 2019; Sudarsono et al., 2021). The results of the study by Dusuki and Abdullah (2007) and Echchabi and Abdulaziz (2012) showed that the combination of service quality and financial reputation has an effect on the customer intention to adopt IFB services for customers in Malaysia. Ismail et al. (2014) showed that there is a strong relationship between the reputation of Islamic banks and the intention of Malaysian customer's intention to adopt Islamic banking services. Likewise in Tunisia, Chebab and Zribi (2012) revealed that customers are very concerned about the reputation of banks in determining the type of banking services which will be used. In line with that, the study by Obeid and Kaabachi (2016) found a strong relationship between bank reputation and customer intention in using IFB services. By considering the result of previous studies related to the bank reputation and customer intention to adopt IFB services, the following hypotheses were formulated:

H_{a2}: Bank reputation positively affects customer decision to adopt IFB services.

2.3.1.3. Perceived Complexity and Adoption of IFB

Complexity can be defined as how difficult the innovation is to understand and/or use (Gerrard & Cunningham, 2003; Gerrard et al., 2006). The level of difficulty of innovation in IFB services is negatively related to the customer intention to adopt the service (Thambiah et al., 2011; Jamsihidi & Hussin, 2013). In line with this, Hailu and Bushera (2020) proved that one of the important factors for customers to adopt IFB services is the ease of service. Likewise, Amin et al. (2013) showed that customer intention to use financing products in IFB is influenced by the extent to which this product is easily understood by customers. By considering the result of previous studies related to the complexity and customer intention to adopt IFB services, the following hypothesis can be formulated:

H_{a3}: Complexity negatively affects customer decision to adopt IFB services.

2.3.1.4. Perceived Compatibility and Adoption of IFB

Compatibility can be defined as how consistent the innovation is with the values, experiences, and needs of the potential adopters (Rogers, 2003). Several previous studies show that compatibility is positively related to customer intention of adopting the service from IFB (Thambiah et al., 2011; Echchabi & Abdulaziz, 2012; Amin et al., 2013; Sudarsono

et al., 2021) prove that the decision to adopt IFB services is influenced by the compatibility of service with religious and social values as well as customer lifestyle and financial condition. The result of this study is in line with those conducted by Echchabi and Abdulaziz (2012) and Aziz et al. (2015) who demonstrated that the amount of information held by consumers about IFB, the relative advantage of Islamic banking, and its compatibility with consumer values, lifestyle, and banking habits are predictors of its adoption in Morocco. By considering the result of previous studies related to service compatibility and customer intention to adopt Islamic banking services, the following hypothesis can be formulated:

H_{a4}: Compatibility positively affects customer decision to adopt IFB services.

2.3.1.5. Perceived Risk and Adoption of IFB

Perceived risk represents an uncertain, probabilistic potential future outlay". In simple terms, perceived risk is the ambiguity that consumers have before purchasing any product or service (Rattanaburi & Vongurai, 2021). Kholid (2019) and Nguyen and Nguyen (2020) showed a negative relationship between risk and intention to adopt IFB services. Risk involves uncertainty about the effects/implications of activity with respect to something that human's value, often focusing on negative, undesirable consequences. Thambiah et al. (2011) and Echchabi and Abdulaziz (2012) showed that customers attempt to avoid risk by minimizing the use of IFB services. Furthermore, Thambiah et al. (2011) found that the reason why customers are less interested in adopting IFB services is that Islamic banks are considered riskier in the absence of guaranteed profits from Islamic banks. By considering the result of previous studies related to risk and intention to adopt IFB services, the following hypothesis was formulated:

H_{a5}: Perceived risk negatively affects customer decision to adopt IFB services.

2.3.1.6. Relative Advantage and Adoption of IFB

Relative advantage is defined as the degree to which an innovation is seen as better than the idea, program, or product it replaces (Rogers, 2003). Thambiah et al. (2011), Echchabi and Abdulaziz (2012) and Aziz et al. (2015) showed that the advantage of IFB in form of the functional, ethical and social benefits that customers acquire comes from service quality, pricing policies, corporate social responsibility, and social prestige. These advantages are important factors for customers to adopt IFB services. Amin et al. (2013) found a positive effect of the relative advantage of IFB services on customer intention to adopt Islamic

banking services in Malaysia. In line with that, Obeid and Kaabachi (2016) found that the relative advantage is positively related to customer intention to adopt IFB services. Considering the result of previous studies regarding the relative advantage and customer intention to adopt IFB services, the following hypothesis were formulated:

H_{a6}: Relative advantage positively affects customer decision to adopt IFB services.

2.3.1.7. Religiosity and Adoption of IFB

Religiosity is defined as the doctrine of one's beliefs about God or other supernatural powers. According to Huber and Huber (2012), religiosity is a person's beliefs about the existence and attributes of God. Someone is considered to have a religious experience when she/he has been able to determine the emotional attitude for something that supports and/or against the religious beliefs. Kaawaase and Nalukwago (2017), Bananuka et al. (2019) and Muslichah and Sanusi (2019) found a positive relationship between religiosity and customer intention to adopt IFB services in Uganda and Indonesia. The same result was found by Obeid and Kaabachi (2016) who proved a strong relationship between religiosity and intention of adopting the service from Islamic banks in Tunisia. Thus, the following hypothesis can be formulated:

H_{a7}: Religiosity positively affects customer decision to adopt IFB services.

2.3.1.8. Social Influence and Adoption of IFB

According to Ajzen (1991), subjective norm refers to an individual's perception of the likelihood that a potential referent group or individuals will approve or disapprove of a given behavior. Several studies have asserted that subjective norm positively affects intention and adoption behaviors in different contexts (Taylor & Todd, 1995; Sudarsono et al., 2021). Numerous researchers have found that a consumer decision to adopt IFB was affected by spouses, friends, and relatives (Bekele, 2018, Sudarsono et al., 2021; Habib, 2022).

Influence from the environment becomes an important part in influencing one's intention in adopting Islamic banking services (Lajuni et al., 2017). The social influence will help individuals to adapt to their environment, as an individual effort to survive in an environment that is not completely known (Obeid & Kaabachi, 2016). Studies conducted by Aziz et al. (2015) and Habib (2022) showed that subjective norms are important factors in examining individual intention. Specifically for IFB financial institutions, several researchers also

revealed a significant influence between social influence and customer intention to adopt IFB services (Mohanachandran & Normala, 2019; Sudarsono et al., 2021). Thus, the following hypothesis can be formulated:

H₈: Social influence positively affects customer decision to adopt IFB services.

2.4. Summary and Research Gap

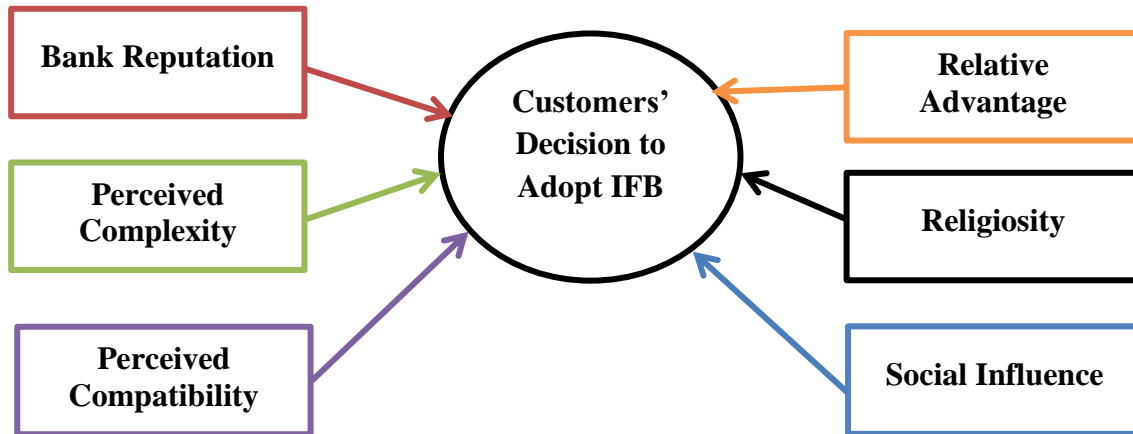
To summarize, the study have reviewed both theoretical and empirical evidences from different sources. Researches in the form of these like Sudarsono et al. (2021) and Habib (2022) have followed the DTPB model close to its fullest sense. However, they failed to localize the model to the third world country like Ethiopia where economical resources and opportunities are scarce. People in poor countries make very thoughtful decisions when they commit their limited resources in any financial decisions. On the other hand, as mentioned in the empirical review, most international studies are conducted in countries where Muslims are big majorities. However, in country like Ethiopia in which peoples of different faith live and interact freely the dynamics of the research is expected to be different. Lastly, Dashen Bank, being a late comer to the interest-free banking sector, is not used as a case study. Thus, studying customers of Dashen Bank might give a new perspective in field of study.

2.5. Conceptual Framework of the Study

In the literature review section, various concepts and aspects of leasing development have been addressed. Creswell (2009) suggests that after summarizing and assembling the literature review, structuring it thematically or organizing it by important concepts to end the literature review is commendable. Accordingly, in view of the various literatures reviewed in the foregoing section and the contribution of this research is to modify the model that has been used by the existing literature. The independent variable in this research model consists of awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence. Meanwhile, the dependent variable is the decision to adopt IFB services. Figure 2.1 illustrates how each independent variable relates to the dependent variable:

Figure 2.1: Conceptual Framework of the Study





Source: Modified and adopted from Sudarsono et al. (2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Description of the Study Area

Dashen Bank was established as per the intent of the new policy and the Ethiopian investment code. It came into existence on September 20, 1995 according to the commercial code of Ethiopia, 1960, and the licensing and supervision of banking business proclamation No. 84/1994. The first founding members were 11 businessmen and professional that agreed to combine their financial resources and expertise to form this new private bank (Dashen Bank S.C., 2022).

Dashen Bank (coined from the highest peak in Ethiopia, Mount Dashen), aspires to provide efficient and customer centric banking services to its customers. Headquartered in Addis Ababa, the Bank is one of the largest private banks in Ethiopia; currently operating through a network of more than 500+ branches, 16 dedicated Forex windows and 9 Forex bureaus, more than 400+ ATMs and over 1400+ point-of-sale (POS) terminals spread across the country. Dashen Bank maintains correspondent banking relationships with 462 banks

in 70 countries and 170 cities across the world, making it a chosen bank (Dashen Bank S.C., 2022).

Interest Free Banking Products and Services

Coupled with continuous development in the provision of customers' own used modern banking services, its service excellence also enables the Bank to gain momentum in having public confidence and maintaining its preeminence in operational and financial performances among the available private banks in Ethiopia. In doing so, the Bank is commenced rendering Shari'ah compliant full-fledged interest free banking services dubbed "Sharik" (Dashen Bank S.C., 2022).

Dashen Bank is delivering interest free Banking service to its esteemed customers through full-fledged Branches and in dedicated windows of conventional Branches. In addition the core-banking system treated the window as a branch, which enables the bank to segregate fund from the conventional bank wing. The interest free banking services include but not limited to Deposit and Investment accounts, Financing contract, Letter of Guarantee, International Trade Service, Money Transfer (Dashen Bank S.C., 2022).

3.2. Research Design

A research design is a blueprint for performing a study with the greatest amount of control over elements that could skew the results' validity (Saunders et al., 2009). The research design for this study was descriptive and explanatory study design to identify Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C. in Addis Ababa. The researcher used the explanatory research design to show the cause and effect link between independent and dependent variables, whereas descriptive research can be used to describe the event as it is.

3.3. Research Approach

According to (Creswell, 2009) questionnaires were used to collect quantitative data and these data can be analyzed by using statistical (quantitative) procedures. In order to collect data for this study, the researcher used a questioning approach. As a result, the researcher employed a quantitative approach by using survey strategy. Therefore quantitative research creates statistics through the use of large-scale survey research, using methods like questioners.

3.4. Populations of the Study

Dashen Bank has joined the interest-free banking sector by offering dual window service on March 5th, 2018. As of March 31st, 2021 Dashen Bank has 142,193 deposit account holders and 71 financing account holders (Dashen Bank S.C., 2022). The study population consists of clients of Dashen Bank S.C. in Addis Ababa branches all of which are situated in the city. The combined targeted populations of the Dashen Bank S.C. in Addis Ababa branches are 70,350 customers. In this study only customers of IFB were included in order to get a clear understanding on the objectives of the study and also employees of the bank were not included in the study because to get a clear idea of the adoption of IFB from the customers perspectives rather than from the employees. The researcher choose Dashen Bank S.C. as a study area because of familiarity with the bank and also work there and see the problems associated with the IFB services, which gave the researcher an idea to conduct a study on the subject matter.

3.5. Sampling Method and Sample Size Determination

3.5.1. Sampling Method

The researcher used customers of the banks as a sampling frame for this study. A simple random sampling selecting procedure applied to represent the population of banks. The researcher employed the purposive sampling technique. The main justification for choosing simple random sampling is that it accurately represents the population and gives each bank an equal chance of getting chosen.

To get a sample of responders, a multi-stage sampling process was used. Addis Ababa City was purposefully chosen for the initial stage due to the greater number of IFB customers. In the second phase, the city's Dashen Bank S.C. was purposefully chosen because of familiarity of the researcher with his bank or simply the researcher being an employee of the bank and sees the problem associated with IFB services in the bank every day. In the third step, consumers from each branch's Dashen Bank S.C. were identified randomly chosen by simple random sampling. Convenience sampling was then employed to gather data from the sample respondents who are users of IFB services from each branch in the city. As a non-probability sampling technique, convenience sampling selects a sample from the population that is easily accessible, nearby, or convenient. Thus, in the selected branches questionnaire

was distributed to customers on a walk in basis i.e. questionnaire is given to a customer who just arrived to get the service until the expected number of sample from the selected branch was satisfied.

3.5.2. Sample Size Determination

The target population for this study incorporated IFB customers of Dashen Bank S.C. found in Addis Ababa (i.e., 70,350). To select sample IFB customers of Dashen Bank S.C., a sampling technique known as multi-stage were employed. First to identify the target participants or sample size in this study, the researcher used Yamane's (1967) formula because the target population in this study is finite population. Hence, the formula is described as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where

N = target population, n = sample size, e = error term

$$n = \frac{70,350}{1 + 70,350(0.05)^2} \approx 398$$

Therefore 398 customers of IFB services of Dashen Bank S.C. in Addis Ababa branches were selected as a sample for this study.

3.6. Source and Method of Data Collection

3.6.1. Source of Data

There are essentially two types of information sources utilized for research: primary and secondary. Primary sources are those that call for a fresh survey to be taken in order to acquire data from customers at various levels of inquiry. For this study, the researcher used primary sources in order to fulfill the study's goal.

3.6.2. Primary Data

The primary data was gathered via an interest-free banking customer questionnaire. A questionnaire is a collection of thoughtfully crafted questions intended to elicit a trustworthy response. The primary data for the study was gathered from selected samples using a questionnaire, which consists of a number of questions printed or typed in a specific order on a form of closed-ended questions. The questionnaire was used to get the opinions of

customers on the factors that influence their intent to use interest-free banking products and services from banks in Ethiopia (The Case of Dashen Bank S.C.).

3.6.3. Method of Data Collection

Three sections made up the method used in data collection: The first section focuses on obtaining specific demographic data about the respondents. The second section looked at factors influencing customers' decisions to adopt interest-free banking services and products of Dashen Bank S.C. in Addis Ababa City. The third section consists of questions regarding to customers' decisions to adopt interest-free banking services. The use of a questionnaire as a data gathering tool makes it simpler to code and analyze the data that has been gathered. One of the best tools for collecting data for survey research is the questionnaire, which has the advantage of requiring less time, effort, and money from the researcher.

Both English and Amharic were used to compile the questionnaire that was given to the customer. The Likert scale was used to grade the questionnaire's closed-ended section. Likert scales are a widely common rating scale for evaluating ordinal data in social science research, according to (Bhattacharjee, 2012). Likert scale items are straightforward statements on a five-point scale from "strongly disagree" to "strongly agree" on which respondents can express their levels of agreement or disagreement. As a result, the researcher used the Likert scale approach to collect the data. This method uses a five-point Likert scale to express the respondents' level of agreement or disagreement with a statement, with responses ranging from strongly disagree to strongly agree.

3.7. Method of Data Analysis

To analyze factors affecting customers' decision to adopt interest free banking in Dashen Bank S.C., the questionnaires were checked for completeness and consistency of information at the end of every field data collection day and before storage. The analysis was done using IBM Statistical Package for Social Science (SPSS) software version 23. The psychometric properties of the constructs were tested by evaluating their reliability and validity values before doing any analysis. The data was tabulated by making logical interpretation, conclusion and recommendation. Descriptive and inferential statistics (i.e. frequency, mean and standard deviation as well as correlation and regression results) were computed for presenting and analyzing the data.

3.7.1. Reliability and Validity Analysis

Prior to any of statistical analysis the reliability and validity of the data must be checked. As stated by Hair et al. (2010), reliability indicates the extents to which a variables or set of variables is consistent in what it is intended to measure. Reliability analyses were used to measure the consistency of a questionnaire. Although there are different methods of reliability test, for this study Cronbach's alpha was considered to be suitable because it is the most common measure of reliability. As described by Nunnally (1978), the values of Cronbach's alpha with a minimum level of 0.7 are good.

The validity of a scale refers to the degree to which it measures what it is supposed to measure, unfortunately there is no one clear cut indicator of scale's validity and the validation of a scale involve the collection of empirical evidence concerning its use (Hair et al., 2010). The researcher checked the content validity which refers to the adequacy with which a measure or scale has sampled from the intended universe or domain of content. Content validity of the questionnaires was confirmed by extensive review of previous literature on the factors affecting customers' decision to adopt interest free banking.

3.7.2. Descriptive Statistics Analysis

Descriptive analysis is used to reduce the demographic information of the respondents like gender, age, marital status, educational level and work experience. Also, factors affecting customers' decision to adopt interest free banking in to a summary format by tabulation, frequency, percentage and measure of central tendency (mean and standard deviation). The reason for using descriptive statistics were used to compare these different factors one another used in this study and also to see the extent or degree of practices of awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence and their impact on customers' decision to adopt interest free banking in Dashen Bank S.C.

3.7.3. Inferential Statistics Analysis

Hair et al. (2010) proposed that before any data analysis is performed; the assumptions correlating the size of the sample, scales of variables, multivariate normal distribution and outliers, and their multicollinearity were checked first.

3.7.3.1. Pearson Correlation Analysis

In this study, Pearson's correlation coefficient or measure of associations was used to determine the relationships between the independent variables dimensions (i.e., awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence) with customers' decision to adopt interest free banking. The value of coefficient of correlation, a statistical measure of association between two variables, ranges from $r = +1.0$ for a perfect positive correlation to $r = -1.0$ for a perfect negative correlation. No correlation is indicated for $r = 0$. The correlation coefficient indicates the strength of the relationships of two variables and the direction of that relationship. As "r" approaches to 0 on either side there is a weak relationship between the dependent variable and independent variable (Hair et al., 2010).

3.7.3.2. Multiple Regression Analysis

In multiple linear regression, it is assumed that there is a linear relation between a variable Y (dependent variable) and K independent variables X_j ($j = 1, 2, \dots, K$). It is a suitable method of analysis when the determination of the impact of two or more independent variables in a dependent variable is desired (Hair et al., 2010). In order to investigate the impact of factors affecting customers' decision to adopt IFB (i.e., awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence) have on customers' decision to adopt interest free banking in Dashen Bank S.C., the following multiple linear regression model were considered:

The specified model was as follows:

$$CS = \beta_0 + \beta_1(AW) + \beta_2(BR) + \beta_3(PCL) + \beta_4(PCT) + \beta_5(PR) + \beta_6(RA) + \beta_7(RL) + \beta_8(SI) + \varepsilon$$

Where:

CD = Customers' Decision to Adopt Interest Free Banking

β_0 = Constant

$\beta_1, \beta_2 \dots \beta_8$ = Slope (Regression Coefficients)

AW = Awareness

BR = Bank Reputation

PCL = Perceived Complexity

PCT = Perceived Compatibility

PR = Perceived Risk

RA = Relative Advantage

RL = Religiosity

SI = Social Influence

ε = is the total error of prediction (residual)

However, before running this model, the researcher would verify compliance with certain assumptions associated with linear regression models in order to check the model is valid. Such as: Sample Size and Independence of Observations, Checking for Outliers, Homoscedasticity Test, Normality Test, Linearity Test and Multicollinearity Test

3.8. The Operationalization and Measures of the Study Variables

There are two major variables under this study. These are the dependent and independent /explanatory variables. The dependent variable is Customers' Decision to Adopt Interest Free Banking resulted from the factors affecting customers' decision to adopt IFB (i.e., awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence) in the study area. This research uses quantitative research methods with a data collection model through structured questionnaires distributed to the respondents. Measurement of variables is adopted by combining previous studies related to customer decisions in adopting interest free bank services such as (Gounaris & Koritos, 2008; Bashir, 2012; Obeid & Kaabachi, 2016; Sudarsono et al., 2021; Habib, 2022). This study uses a five point Likert scale, from strongly disagree (1) to strongly disagree (5). The summary of operational and measures of the study variables are presented in Table 3.1 below:

Table 3.1: Summary of Measurement Scales

Variable	Measure	Sources
Customers' Decision to Adopt IFB	I have made a decision of adopting the service from IFB bank in the future I think I will often adopt the service from IFB in the future I would highly recommend others to adopt the service from an IFB	Obeid & Kaabachi, 2016
Awareness	I know the presence of IFB banking in Ethiopia I know the instruments used in financing products offered by IFB banks	Bashir, 2012; Obeid & Kaabachi, 2016

	<p>I know the distinction between IFB bank and its conventional counterpart</p> <p>I know the features and benefits of IFB products</p> <p>To be well-known, IFB banks should do more promotions</p>	
Bank Reputation	<p>Dashen Bank's IFB has a good reputation</p> <p>Dashen Bank's IFB has a reputation of honesty</p> <p>Dashen Bank's IFB is known to have good care for customers</p> <p>Dashen Bank's IFB has a reputation of being transparent with customers</p>	Obeid & Kaabachi, 2016; Habib, 2022
Perceived Complexity	<p>To use Dashen Bank's IFB, customers need a lot of knowledge</p> <p>Customers experience difficulties in conducting transactions in IFB</p> <p>Making transactions in IFB is complicated and frustrating</p> <p>IFB services involve complicated procedures</p>	Gerrard & Cunningham, 2003; Obeid & Kaabachi 2016
Perceived Compatibility	<p>Dashen Bank's IFB is in line with my values</p> <p>Dashen Bank's IFB suits my needs</p> <p>Dashen Bank's IFB is very suitable for my lifestyle</p> <p>Using Dashen Bank's IFB services is very compatible with the way I manage my money</p>	Gounaris & Koritos, 2008; Obeid & Kaabachi 2016
Perceived Risk	<p>Using IFB services can bring potential financial losses</p> <p>Using IFB services could not provide the benefits that I expect</p> <p>Adopting the service from an IFB can damage my self-image</p> <p>Adopting the service from an IFB can adversely impact other people's opinions about me</p>	Obeid & Kaabachi 2016; Sudarsono et al., 2021
Relative Advantage	<p>Dashen Bank's IFB operation is in line with Sharia principles</p> <p>Profit-based financing - sharing of losses between the lender and the borrower will benefit both parties</p> <p>Return on investment in IFB is more profitable than interest in conventional banks</p>	Bashir, 2012; Faisal et al., 2014; Obeid & Kaabachi, 2016

	IFB banks offer a lower cost than conventional banks	
Religiosity	<p>I try to follow the commands of Islam in everything in my life</p> <p>I always try to avoid small and big sins as the teachings of my religion</p> <p>I believe that all ideological dimensions are based on Islam</p> <p>I know the basis and knowledge needed in my religion</p> <p>I feel sadness and dissatisfaction when I do something contrary to my faith</p>	Obeid & Kaabachi, 2016; Sudarsono et al., 2021
Social Influence	<p>People I consider important can influence me to use IFB</p> <p>Most people that I consider important support me to use IFB</p> <p>Most of my friends/colleagues who have become customers of IFB agree that Islamic banking is better than the conventional one</p>	Obeid & Kaabachi, 2016

3.9. Ethical Considerations

According to Mugenda and Mugenda (2003) a researcher must confirm to the principle of voluntary consent where the respondents willingly participate in research. Informed consent should be based on the information regarding: the purpose of the research study, identification of the researcher, any benefits that may be received. Mugenda and Mugenda (2003) notes that participation in research is voluntary and subjects are at liberty to withdraw from the study at any time without any consequences. The researcher was required to communicate this to the respondents before the start of the study. The researcher through the trained assistants ensured that all respondents fully understood all the details pertaining to the study. No respondent were forced to take part in the study but this was done voluntarily.

According to Bhattacharjee (2012) plagiarism refers to passing off another person's work as if it were your own, by claiming credit for something that was done by someone else. It is taking and using another person's thoughts as if they were your own. Utmost care were taken to ensure that all work borrowed from other scholars were acknowledged.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

This chapter presents the results of the investigation by the researcher based on the methodology stated in chapter three. It includes the general background of the respondents and detailed discussion of the four specific objectives, analysis of descriptive statistics, and correlation and regression analyses through IBM SPSS version 23. Before running any analysis tests were carried out in order to test whether the results were reliable or internal consistency of the overall factors affecting customers' decision to adopt IFB services was checked through Cronbach alpha and also the validity was tested using the content validity analysis. The findings of the study were also discussed in a relation to the literature review.

4.1. Questionnaire Response Rate

In the study, a total of 398 questionnaires were issued of which 340 were successfully filled, returned and taken as valid samples.

Table 4.1: Questionnaire Response Rate

Questionnaires Issued	Returned	Percentage of Return Rate
398	340	85.4%

Source: Survey Data (2023)

According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% good and above 70% rated very good. This implies that basing on this assertion; the response rate in this case of 85.4% was very good as shown in Table 4.1 above.

4.2. Demographic Characteristics of the Respondents

Analysis of the demographic characteristics of the respondents presented in Table 4.2 below shows that gender wise 228(67.1%) of respondents were male and the remaining 112(32.9%) were female. On the other hand, as displayed in the Table 4.2 below, the majority of the respondents or 126(37.1%) aged between 31 and 40 years, followed by 110(32.4%) of the respondents age exist between 41 and 50 years, 54(15.9%) were above 50 years old, and the remaining 50(14.7%) of the respondents age exist between 20 and 30 years. This indicated that the majority of the respondents included in this study were male and aged between 31 and 40 years.

Table 4.2: Demographic Characteristics of the Respondents

No	Indicators	Category	Frequency	Percent
1	Gender	Male	228	67.1
		Female	112	32.9
		Total	340	100.0
2	Age	20-30 years	50	14.7
		31-40 years	126	37.1
		41-50 years	110	32.4
		Above 50 years	54	15.9
		Total	340	100.0
3	Educational level	Certificate and below	47	13.8
		Diploma	85	25.0
		First degree	156	45.9
		Master's degree and above	52	15.3
		Total	340	100.0
4	Monthly Income	2001-4000 birr	20	5.9
		4001-6000 birr	115	33.8
		6001-8000 birr	118	34.7
		Above 8000 birr	87	25.6
		Total	340	100.0
5	Professional Status	Public Sector	96	28.2
		Private Sector	156	45.9
		Self-employed	73	21.5
		Retired	15	4.4
		Total	340	100.0

Source: Survey Data (2023)

Regarding educational background of the respondents as shown in Table 4.2 above, the majority or 156(45.9%) of the respondents were first degree holders, followed by 85(25.0%) of the respondents were diploma holders, and the rest 52(15.3%) and 47(13.8%) of the respondents have educational qualification of master's degree and above and Certificate and

below respectively. This result explains the study has got a proper input from well-educated customers of Dashen Bank S.C.

Concerning the monthly income of the respondents as shown in Table 4.2 above, the majority or 118(34.7%) of the respondents earn monthly income between 6,001 and 8,000 birr, followed by 115(33.8%) of the respondents earn monthly income between 4,001 and 6,000 birr. Thirdly, 87(25.6%) of the respondents earn monthly income more than 8,000 birr and the rest 20(5.9%) of the respondents earn monthly income between 2001 and 4000 birr. This result indicated that the majority of the respondents included in this study earn monthly income between 6,001 and 8,000 birr.

With regard to the Professional status of the respondents as shown in Table 4.2 above, the majority or 156(49.9%) of the respondents were employees of private sector, 96(28.2%) of the respondents were employees of public sector. The rest 73(21.5%) and 15(4.4%) of the respondents were Self-employed and retired respectively. This result indicated that the majority of the customers of Dashen Bank S.C. IFB services customers were employees of private sector.

4.3. Reliability and Validity Assessment Results

The degree to which the data collection procedures utilized in the study compare to the expected outcomes is referred to as reliability. The term "reliability" refers to a measurement of the consistency of the variables under examination. The data reliability against the explanatory factors was assessed using the Cronbach's Alpha test, as shown in Table 4.3 below. For all variables involved, the Cronbach's Alpha Statistics for the explanatory factors above the acceptable level of 0.7 (Hair et al., 2010). This indicates that the data acquired for the study was consistent and dependable. Furthermore, validity relates to an investigation's legitimacy (Creswell, 2009). It pertains to establishing whether the data gathering tools are a true estimate of what they should enumerate. The researcher was concerned with content validity by simply looking at the substance of information collection tools to see if they were real, with her supervisor's consent. Also, to obtain content validity, the researcher adapted the approaches suggested by Cooper and Schindler (2011); that is, identifying existing scales from the relevant literature.

Table 4.3: Reliability Analysis Results

Variables	No. of Items	Cronbach Alpha
Awareness	5	0.854
Bank Reputation	4	0.856
Perceived Complexity	4	0.804
Perceived Compatibility	4	0.886
Perceived Risk	4	0.843
Relative Advantage	4	0.927
Religiosity	5	0.867
Social Influence	3	0.822
Customers' Decision to Adopt Interest Free Banking	3	0.795

Source: Survey Data (2023)

4.4. Descriptive Analysis of the Study Variables

This part of the analysis is made based on survey schedule gathered from 340 customers of Dashen Bank S.C. using 5-point Likert's scale. The study has nine variables: awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence and customers' decision to adopt interest free banking were all the variables considered for this study. For a consistent interpretation of descriptive analysis, the following criterion described in Table 4.4 below is used.

Table 4.4: Five Point-Scaled Likert's Criterion

No.	Mean Range	Response Options
1	[1.00, 1.80)	Strongly Disagree
2	[1.80, 2.60)	Disagree
3	[2.60, 3.40)	Neutral
4	[3.40, 4.20)	Agree
5	[4.20, 5.00]	Strongly Agree

Source: Al-Sayaad, et al., (2006)

4.4.1. Descriptive Analysis of Factors Affecting Customers' Decision to Adopt IFB

In this section the study was aimed to identify the Factors Affecting Customers' Decision to Adopt IFB in Dashen Bank S.C. Twenty two proper questions were asked in order to get the

extent of the agreement from respondent. These questions mainly aimed at identifying the Factors Affecting Customers' Decision to Adopt IFB that the Dashen Bank S.C. may face during the implementation of IFB.

4.4.1.1. Awareness

The results in Table 4.5 below indicate that according to the respondents of the Dashen Bank S.C., the awareness items had scored an average mean value between 3.77 and 3.94 with a standard deviation value between 0.60 and 0.65. This indicated that the respondents of Dashen Bank S.C. have agreed (because the mean lies between 3.40 and 4.20 as shown in Table 4.4 above) on the awareness items described in Table 4.5 below were affecting the customers' decision to adopt IFB services highly. Besides this, the five questions having the mean response greater than 3 and the standard deviation less than 1 indicates that the respondents have the same perceptions towards the raised questions.

Table 4.5 below also indicated that the respondents agreed that they know the presence of IFB banking in Ethiopia, the instruments used in financing products offered by IFB banks and also they agreed that they know the distinction between IFB bank and its conventional counterpart. The respondents also agreed that they were aware of the features and benefits of IFB products and also to be well-known; IFB banks should do more promotions.

Table 4.5: Descriptive Statistics of Awareness

Code	Statements on Awareness	Mean	SD
AW1	I know the presence of IFB banking in Ethiopia	3.89	0.65
AW2	I know the instruments used in financing products offered by IFB banks	3.94	0.63
AW3	I know the distinction between IFB bank and its conventional counterpart	3.77	0.60
AW4	I know the features and benefits of IFB products	3.86	0.65
AW5	To be well-known, IFB banks should do more promotions	3.84	0.60
Grand Mean		3.86	0.63

Source: Survey Data (2023)

4.4.1.2. Bank Reputation

The results in Table 4.6 below indicate that according to the respondents of the Dashen Bank S.C., the Bank Reputation items had scored an average mean value between 3.86 and 3.94 with a standard deviation value between 0.69 and 0.77. This indicated that the respondents of Dashen Bank S.C. have agreed on the Bank Reputation items described in Table 4.6 below were affecting the customers' decision to adopt IFB services highly. Besides this, the four questions having the mean greater than 3 and the standard deviation less than 1 indicates that the respondents have the same perceptions towards the raised questions.

Table 4.6 below also indicated that the respondents agreed that Dashen Bank's IFB has a good reputation, has a reputation of honesty, and is known to have good care for customers and also they agreed that Dashen Bank's IFB has a reputation of being transparent with customers. This indicated that Dashen Bank's IFB has a good reputation.

Table 4.6: Descriptive Statistics of Bank Reputation

Code	Statements on Bank Reputation	Mean	SD
BR1	Dashen Bank's IFB has a good reputation	3.92	0.71
BR2	Dashen Bank's IFB has a reputation of honesty	3.86	0.73
BR3	Dashen Bank's IFB is known to have good care for customers	3.94	0.77
BR4	Dashen Bank's IFB has a reputation of being transparent with customers	3.87	0.69
Grand Mean		3.90	0.73

Source: Survey Data (2023)

4.4.1.3. Perceived Complexity

As shown in Table 4.7 below indicate that according to the respondents of the Dashen Bank S.C., the Perceived Complexity items had scored an average mean value between 2.07 and 2.14 with a standard deviation value between 0.65 and 0.70. This indicated that the respondents of Dashen Bank S.C. have disagreed (because the mean lies between 1.80 and 2.60 as shown in Table 4.4 above) on the Perceived Complexity items described in Table 4.7 below were not affecting the customers' decision to adopt IFB services. Besides this, the four questions having the mean less than 3 and the standard deviation less than 1 indicates that the respondents have the same perceptions towards the raised questions.

Table 4.7 below also indicated that the respondents disagreed that to use Dashen Bank’s IFB, customers need a lot of knowledge and customers experience difficulties in conducting transactions in IFB. The respondents also disagreed that making transactions in IFB is complicated and frustrating and also IFB services involve complicated procedures. This indicated that the customers of Dashen Bank S.C. showed that Dashen Bank’s IFB, customers does not need a lot of knowledge and experience in conducting transactions in IFB and also making transactions in IFB is not complicated and frustrating and also IFB services does not involve complicated procedures.

Table 4.7: Descriptive Statistics about the Perceived Complexity

Code	Statements on Perceived Complexity	Mean	SD
PCL1	To use Dashen Bank’s IFB, customers need a lot of knowledge	2.09	0.68
PCL2	Customers experience difficulties in conducting transactions in IFB	2.14	0.67
PCL3	Making transactions in IFB is complicated and frustrating	2.07	0.70
PCL4	IFB services involve complicated procedures	2.14	0.65
Grand Mean		2.11	0.66

Source: Survey Data (2023)

4.4.1.4. Perceived Compatibility

A shown in Table 4.8 below indicate that according to the respondents of the Dashen Bank S.C., the Perceived Compatibility items had scored an average mean value between 3.81 and 3.83 with a standard deviation value between 0.74 and 0.79. This indicated that the respondents of Dashen Bank S.C. have agreed on the Perceived Compatibility items described in Table 4.8 below were affecting the customers’ decision to adopt IFB services highly. Besides this, the four questions having the mean greater than 3 and the standard deviation less than 1 which indicates that the respondents have the same perceptions towards the raised questions.

Table 4.8 below also indicated that the respondents agreed that the Dashen Bank’s IFB is in line with their values, suits their needs, is very suitable for their lifestyle and also they agreed that the Dashen Bank’s IFB services is very compatible with the way they manage their money. This indicated that the customers of Dashen Bank S.C. showed that Dashen Bank’s IFB is in line with the customers values, suits the customer’s needs, is very suitable for the

customers lifestyle and also they the Dashen Bank’s IFB services is very compatible with the way the customers manage their money.

Table 4.8: Descriptive Statistics about the Perceived Compatibility

Code	Statements on Perceived Compatibility	Mean	SD
PCT1	Dashen Bank’s IFB is in line with my values	3.81	0.74
PCT2	Dashen Bank’s IFB suits my needs	3.83	0.75
PCT3	Dashen Bank’s IFB is very suitable for my lifestyle	3.82	0.75
PCT4	Using Dashen Bank’s IFB services is very compatible with the way I manage my money	3.81	0.79
Grand Mean		3.82	0.76

Source: Survey Data (2023)

4.4.1.5. Perceived Risk

As shown in Table 4.9 below, according to the respondents of the Dashen Bank S.C., the Perceived Risk items had scored an average mean value between 2.06 and 2.10 with a standard deviation value between 0.67 and 0.74. This indicated that the respondents of Dashen Bank S.C. have disagreed (because the mean lies between 1.80 and 2.60 as shown in Table 4.4 above) on the Perceived Risk items described in Table 4.9 below were not affecting the customers’ decision to adopt IFB services. Besides this, the four questions having the mean less than 3 and the standard deviation less than 1 indicates that the respondents have the same perceptions towards the raised questions.

Table 4.9: Descriptive Statistics about the Perceived Risk

Code	Statements on Perceived Risk	Mean	SD
PR1	Using IFB services can bring potential financial losses	2.10	0.70
PR2	Using IFB services could not provide the benefits that I expect	2.06	0.74
PR3	Adopting the service from an IFB can damage my self-image	2.08	0.68
PR4	Adopting the service from an IFB can adversely impact other people’s opinions about me	2.08	0.67
Grand Mean		2.08	0.70

Source: Survey Data (2023)

Table 4.9 above also indicated that the respondents disagreed that using IFB services can bring potential financial losses, IFB services could not provide the benefits that they expect; adopting the service from an IFB can damage their self-image and also they disagreed that adopting the service from an IFB can adversely impact other people’s opinions about them. This indicated that the customers of Dashen Bank’s IFB showed that using IFB services cannot bring potential financial losses and IFB services could provide the benefits that they expect. The customers of Dashen Bank’s IFB showed that adopting the service from an IFB cannot damage their self-image and also the service from an IFB cannot adversely impact other people’s opinions about them.

4.4.1.6. Relative Advantage

As shown in Table 4.10 below, according to the respondents of the Dashen Bank S.C., the Relative Advantage items had scored an average mean value between 3.88 and 3.95 with a standard deviation value between 0.63 and 0.73. Also, the four questions having the standard deviation less than 1, indicated that the respondents have similar perceptions towards the raised questions. This indicated that the respondents of Dashen Bank S.C. have agreed that Dashen Bank’s IFB operation is in line with Sharia principles, and there is Profit-based financing - sharing of losses between the lender and the borrower that can benefit both parties. The respondents also agreed that return on investment in IFB is more profitable than interest in conventional banks and also the Dashen Bank’s IFB offer a lower cost than conventional banks.

Table 4.10: Descriptive Statistics about the Relative Advantage

Code	Statements on Relative Advantage	Mean	SD
RA1	Dashen Bank’s IFB operation is in line with Sharia principles	3.91	0.66
RA2	Profit-based financing - sharing of losses between the lender and the borrower will benefit both parties	3.88	0.65
RA3	Return on investment in IFB is more profitable than interest in conventional banks	3.95	0.73
RA4	IFB banks offer a lower cost than conventional banks	3.94	0.63
Grand Mean		3.92	0.67

Source: Survey Data (2023)

The result in Table 4.10 above indicated that the customers of Dashen Bank’s IFB have got relative advantage operating with Sharia principles, Profit-based financing, more profitable Return on investment and also through offering a lower cost than conventional banks.

4.4.1.7. Religiosity

As shown in Table 4.11 below, according to the respondents of the Dashen Bank S.C., the Religiosity items had scored an average mean value between 3.85 and 3.92 with a standard deviation value between 0.66 and 0.78. Also, the five questions having the standard deviation less than 1, indicated that the respondents have similar perceptions towards the raised questions. This indicated that the respondents of Dashen Bank S.C. have agreed that they tried to follow the commands of Islam in everything in their life, they always tried to avoid small and big sins as the teachings of their religion and also they believe that all ideological dimensions are based on Islam. The respondents also agreed that they know the basis and knowledge needed in their religion and they feel sadness and dissatisfaction when they do something contrary to their faith. This result indicated that the customers of Dashen Bank S.C. IFB service users believe in Islam and follow the doctrine of Islam.

Table 4.11: Descriptive Statistics on the Religiosity

Code	Statements on Religiosity	Mean	SD
RL1	I try to follow the commands of Islam in everything in my life	3.88	0.66
RL2	I always try to avoid small and big sins as the teachings of my religion	3.92	0.78
RL3	I believe that all ideological dimensions are based on Islam	3.85	0.71
RL4	I know the basis and knowledge needed in my religion	3.92	0.76
RL5	I feel sadness and dissatisfaction when I do something contrary to my faith	3.88	0.69
Grand Mean		3.89	0.72

Source: Survey Data (2023)

4.4.1.8. Social Influence

According to the respondents of the Dashen Bank S.C., the Social Influence items had scored an average mean value between 3.84 and 3.91 with a standard deviation value between 0.69 and 0.78, as shown in Table 4.12 below. Also, the three questions having the mean value

greater than 3 and standard deviation less than 1, indicated that the respondents have similar perceptions towards the raised questions. This indicated that the respondents of Dashen Bank S.C. have agreed that People they consider important can influence them to use IFB and most people that they consider important support them to use IFB. Also the respondents agreed that most of their friends/colleagues who have become customers of IFB agree that Islamic banking is better than the conventional one. This result indicated that the customers IFB services in Dashen Bank S.C. were influenced by social influences or influenced by friends/colleagues and people they consider important to them.

Table 4.12: Descriptive Statistics on the Social Influence

Code	Statements on Social Influence	Mean	SD
SI1	People I consider important can influence me to use IFB	3.91	0.65
SI2	Most people that I consider important support me to use IFB	3.82	0.70
SI3	Most of my friends/colleagues who have become customers of IFB agree that Islamic banking is better than the conventional one	3.89	0.68
Grand Mean		3.87	0.68

Source: Survey Data (2023)

4.4.2. Summary of Factors Affecting Customers' Decision to Adopt IFB

As far as the summary of descriptive analysis of Dashen Bank S.C. factors affecting customers' decision to adopt IFB was concerned, as shown in Table 4.13 below, from the composite statistics results each variable dimensions, Relative Advantage items have scored the highest mean value of 3.92 with standard deviation of 0.67. This implies that the customers of the Dashen Bank's IFB have agreed that have got relative advantage operating with Sharia principles, Profit-based financing, more profitable Return on investment and also through offering a lower cost than conventional banks. This was followed by Bank Reputation with mean value of 3.90 (SD=0.73), Religiosity with mean value of 3.89 (SD=0.72), Social Influence with mean value of 3.87 (SD=0.68), Awareness with mean value of 3.86 (SD=0.63), Perceived Compatibility with mean value of 3.82 (SD=0.76), Perceived Complexity with mean value of 2.11 (SD=0.66) and Perceived Risk with mean value of 2.08 (SD=0.70) respectively. Even though the above six factors affecting customers' decision to adopt IFB dimensions have a high degree or extent of effect on the customers' decision to

adopt IFB services in Dashen Bank S.C., Bank Reputation had the second highest mean value next to Relative Advantage, thirdly Religiosity, fourthly Social Influence, fifthly Awareness and the last and sixth one was Perceived Compatibility.

Table 4.13: Summary of the Factors Affecting Customers’ Decision to Adopt IFB Dimensions

Summary of Factors Affecting Customers’ Decision to Adopt IFB	Composite Statistics Results	
	Mean	Std. Deviation
Awareness	3.86	0.63
Bank Reputation	3.90	0.73
Perceived Complexity	2.11	0.66
Perceived Compatibility	3.82	0.76
Perceived Risk	2.08	0.70
Relative Advantage	3.92	0.67
Religiosity	3.89	0.72
Social Influence	3.87	0.68

Source: Survey Data (2023)

4.4.3. Descriptive Analysis of Customers’ Decision to Adopt IFB Constructs

The results in Table 4.14 below indicate that according to the respondents of Dashen Bank S.C., Customers’ Decision to Adopt Interest Free Banking items had scored an average mean value between 3.81 and 3.94 with a standard deviation value between 0.66 and 0.72. Also, the three questions having the mean value greater than 3 and standard deviation less than 1, indicated that the respondents have similar perceptions towards the raised questions. This indicated that the respondents of Dashen Bank S.C. have agreed that they have made a decision of adopting the service from IFB bank in the future and also they will often adopt the service from IFB in the future. Also the customers of Dashen Bank S.C. agreed that they would highly recommend others to adopt the service from an IFB. Beside this the composite statistics results of Customers’ Decision to Adopt Interest Free Banking with the mean value of 3.86 with standard deviation of 0.69 indicated that the services provided by Dashen Bank S.C. regarding IFB made them to decide and adopt interest free banking. The customers of

Dashen Bank’s IFB services also indicated that they would highly recommend others to adopt the service from an IFB.

Table 4.14: Descriptive Statistics of Customers’ Decision to Adopt Interest Free Banking

Code	Statements on Customers’ Decision to Adopt Interest Free Banking	Mean	SD
CD1	I have made a decision of adopting the service from IFB bank in the future	3.94	0.66
CD2	I think I will often adopt the service from IFB in the future	3.81	0.69
CD3	I would highly recommend others to adopt the service from an IFB	3.84	0.72
Grand Mean		3.86	0.69

Source: Survey Data (2023)

4.5. Results of Inferential Statistics

In this section, the results of inferential statistics were presented. In order to address the objectives of the study, Pearson’s Product Moment Correlation Coefficient and Regression Analyses were performed. With the aid of these statistical techniques, conclusions were drawn and decisions were made with respect to the research hypothesis.

4.5.1. Pearson Correlation Analysis

Correlation analysis is used to measure the relationship between independent and dependent variables. In this section, the correlation matrix of the constructs are computed which provide the preliminary evidence of the relationship between variables. Pearson coefficient of correlation is the most widely used for summarizing the degree of relationship and directions between two variables.

The values of correlation always should be between -1 and +1. The value of -1 indicates perfect negative correlation between the independent variables of Factors Affecting Customers’ Decision to Adopt IFB dimensions (i.e., awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence) and the dependent variable (i.e., Customers’ Decision to Adopt Interest Free Banking). Value of 0 indicates no correlation between independent and dependent variables and finally the value of +1 for correlation indicates perfect positive relationship between

independent variables and independent variable. Rule of thumb for about the strength of correlation of coefficients was presented in Table 4.12 below.

Table 4.15: Rule of Thumb for about the Strength of Correlation of Coefficients

Range of Coefficient Description of Strength	Range of Coefficient Description of Strength
±0.81 to ±1.00	Very Strong
±0.61 to ±0.80	Strong
±0.41 to ±0.60	Moderate
±0.21 to ±0.40	Weak
±0.00 to ±0.20	None

Source: Bhattacharjee (2012)

As it is clearly indicated in the Table 4.16 below, the highest correlation (i.e. $r = 0.840$) is between Awareness (AW) and Customers' Decision to Adopt Interest Free Banking (CD) which is significant at the 0.01 level ($P < 0.01$). According to Bhattacharjee (2012) from Table 4.15, Awareness (AW) and Customers' Decision to Adopt Interest Free Banking (CD) have a very strong and positive correlation between them. The next highest correlation ($r = 0.800$) is between Social Influence (SI) and Customers' Decision to Adopt Interest Free Banking (CD) which is significant at 0.01 level ($P < 0.01$), which again have a strong and positive correlation according to Table 4.15. The third highest correlation is ($r = 0.767$) is between Religiosity (RL) and Customers' Decision to Adopt Interest Free Banking (CD) which is significant at 0.01 level ($P < 0.01$). According to Bhattacharjee (2012), they have a strong and positive correlation between them. Then it is followed by relationship with Bank Reputation (BR) ($r = 0.763$), Perceived Compatibility (PCT) ($r = 0.705$) and Relative Advantage (RA) ($r = 0.689$). According to the rule of thumb from Table 4.15, Bank Reputation, Perceived Compatibility and Relative Advantage have strong and positive correlations with Customers' Decision to Adopt Interest Free Banking (CD) respectively, which are statistically significant at 99 percent confidence level. Furthermore, then it is followed by relationship with Perceived Complexity (PCL) ($r = -0.669$) and Perceived Risk (PR) ($r = -0.658$). According to Bhattacharjee (2012), Perceived Complexity and Perceived Risk have strong and negative correlations with Customers' Decision to Adopt Interest Free Banking (CD) respectively,

which are statistically significant at 99 percent confidence level. This implies that at a 1 percent level of significance it was found that Awareness (AW), Social Influence (SI), Religiosity (RL), Bank Reputation (BR), Perceived Compatibility (PCT) and Relative Advantage (RA) have a positive and significant relationship with Customers' Decision to Adopt Interest Free Banking (CD) respectively, whereas, Perceived Complexity and Perceived Risk have strong and negative correlations with Customers' Decision to Adopt Interest Free Banking (CD) respectively in the study area. This finding was similar with the findings of Sudarsono et al. (2021) and Habib (2022).

Table 4.16: Pearson Correlation Results

Correlations									
	CD	AW	BR	PCL	PCT	PR	RA	RL	SI
CD	1								
AW	.840**	1							
BR	.763**	.666**	1						
PCL	-.669**	-.577**	-.855**	1					
PCT	.705**	.571**	.564**	-.539**	1				
PR	-.658**	-.537**	-.649**	.728**	-.499**	1			
RA	.689**	.570**	.566**	-.511**	.527**	-.488**	1		
RL	.767**	.704**	.641**	-.566**	.576**	-.530**	.652**	1	
SI	.800**	.755**	.673**	-.639**	.624**	-.574**	.623**	.695**	1
**. Correlation is significant at the 0.01 level (2-tailed).									

Where: CD = Customers' Decision to Adopt Interest Free Banking, AW = Awareness, BR = Bank Reputation, PCL = Perceived Complexity, PCT = Perceived Compatibility, PR = Perceived Risk, RA = Relative Advantage, RL = Religiosity and SI = Social Influence

Source: Survey Data (2023)

4.5.2. Multiple Regression Analysis

Multiple regressions is statistical techniques that can be used to analyze the association between single dependent variable and several independent variables (Hair et al., 2010). This is to mean that multiple regression is used to investigate the impact of Factors Affecting Customers' Decision to Adopt IFB in Dashen Bank S.C. From the different types of multiple regression analyses, the researcher used the standard multiple regression type – which means

that all the independent (or predictor) variables are entered in to the regression equation simultaneously. As such the sole dependent variable in this investigation was Customers' Decision to Adopt Interest Free Banking. The independent variables were awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence.

4.5.2.1. Assumptions of Multiple Regressions

The following assumptions were checked prior to running the regression model:

Sample Size and Independence of Observations

According to a formula presented by Tabachnick and Fidell (2007) of $N > 50 + 8 * m$ (where m = number of independent variables), and with $m = 8$ since there were 8 independent variables used, the minimum sample size for multiple regression was calculated to be $50 + 8 * 8 = 50 + 64 = 114$. Therefore, as 340 respondents were obtained in this study, the sample was deemed adequate for regression analysis to be used to test the hypotheses. The independence of observations was guaranteed by the researcher by making sure that the questionnaires should be answered by different respondents to get tolerable variances in responses.

Checking for Outliers

Because multiple regression is very sensitive to outliers (very high or very low scores). The researcher checked for extreme scores at the initial data screening process by using Skewness and Kurtosis. The Skewness and Kurtosis of the nine (9) constructs were well behaved in term of normality. As described by Hair et al. (2010) the values of Skewness and Kurtosis are between the ranges of -1 and $+1$ indicates that there are no outlier or extreme values that might jeopardize the validity of the analysis as shown in Table 4.17 below.

Table 4.17: Skewness and Kurtosis Values of the Study Variables

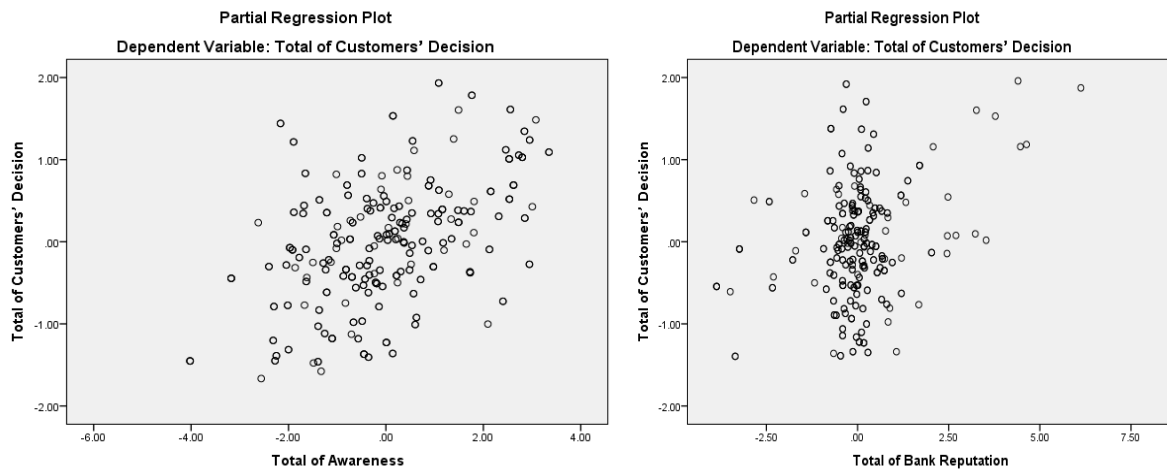
Summary of the Study Variables	Skewness	Kurtosis
Awareness	-0.329	-0.104
Bank Reputation	-0.057	-0.916
Perceived Complexity	-0.121	-1.037
Perceived Compatibility	0.009	-1.054
Perceived Risk	-0.166	-1.041
Relative Advantage	-0.261	-0.566
Religiosity	-0.287	-0.389
Social Influence	0.105	-0.654
Customers' Decision to Adopt Interest Free Banking	-0.085	-0.519

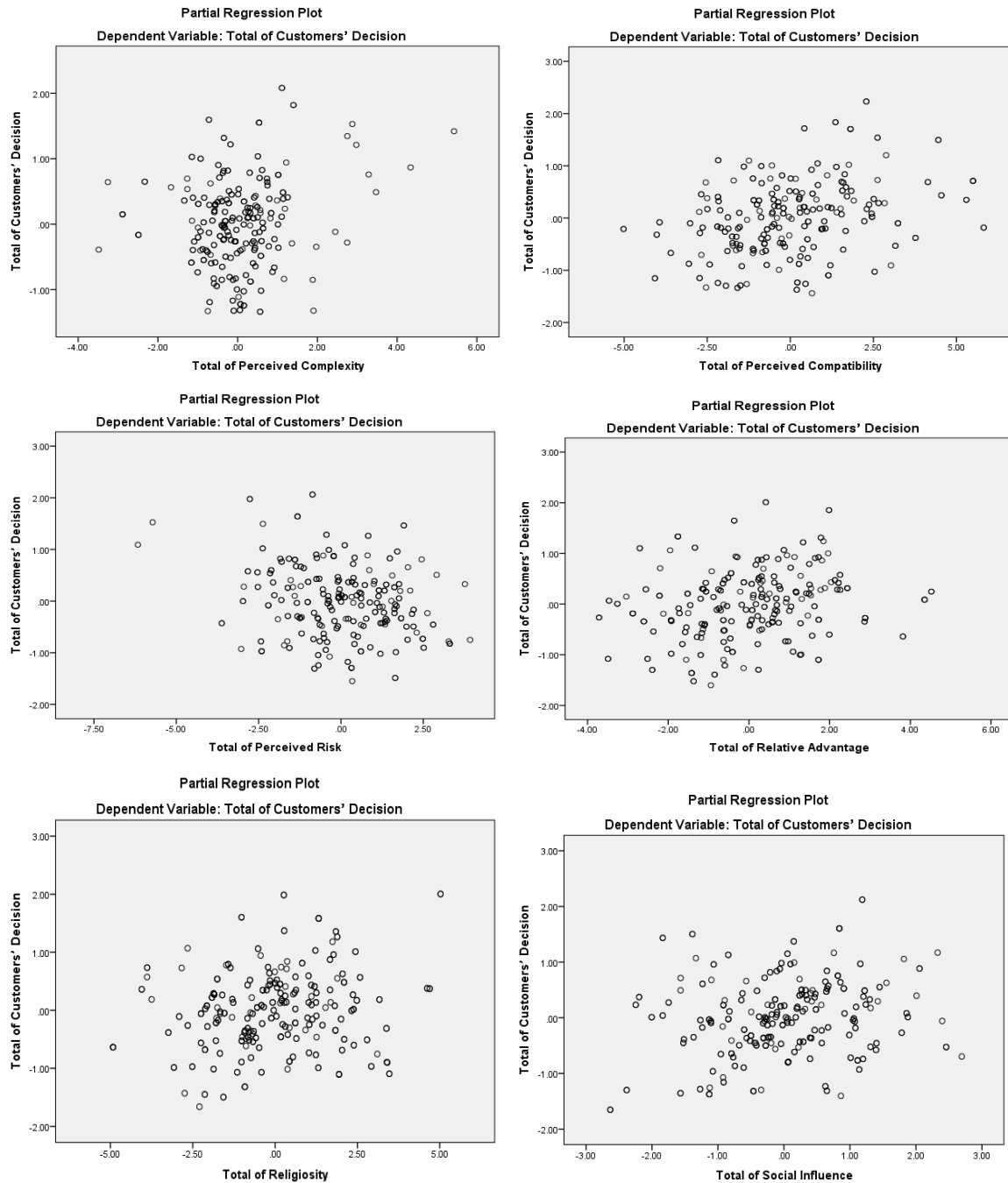
Source: Survey Data (2023)

Homoscedasticity Test

As shown in Figure 4.1 below, the small circles follow no pattern and they are randomly dispersed in the scatterplot so, the researcher assumed that the residuals have equal variances.

Figure 4. 1: Scatterplot of Residuals of the Regression Model



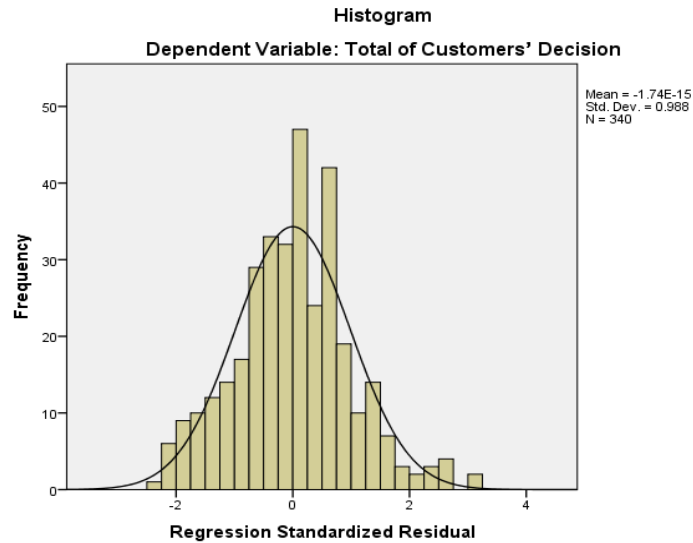


Source: Survey Data (2023)

Normality Test

The histogram and P-P plot presented in Figure 4.2 below indicated reasonable normality of data, because the mean value was close to 0 (i.e., $-1.74E-15$) and standard deviation was close to 1 (i.e., 0.988), this shows the data was roughly close to normality.

Figure 4.2: Histogram of the Regression Model

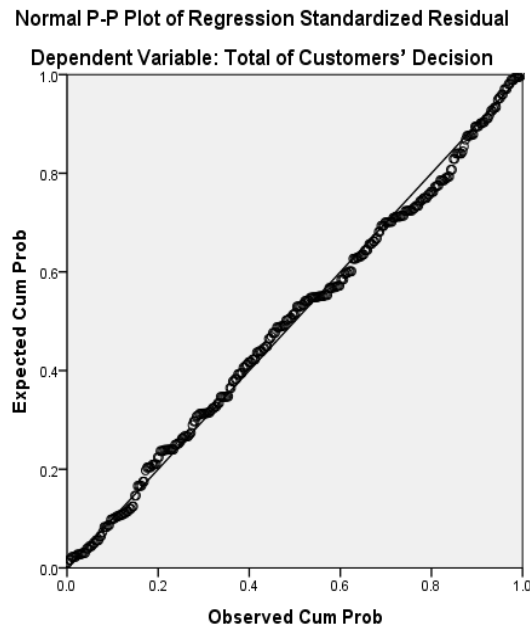


Source: Survey Data (2023)

Linearity Test

Linearity is another condition to be met for valid regression analysis, P-P plot presented in Figure 4.3 below show that the small circles were close to the diagonal line, this shows the data was roughly close to linearity.

Figure 4.3: The Normal P-P Plot of the Regression Model



Source: Survey Data (2023)

Multicollinearity Test

Multicollinearity happens when the research predictor variables are strongly correlated with one another. Association coefficients must be less than 0.90 to qualify as multicollinear, while tolerance and Variance Inflation Factor (VIF) values must be greater than 0.1 and less than 10 to qualify as multicollinear, respectively (Hair et al., 2010). According to Tables 4.16 above, the correlation coefficients for each predictor variable were less than 0.90. Additionally, as shown in Tables 4.18 below, all of the model's results had a tolerance value greater than 0.1 and a VIF lower than 10, indicating that the survey data did not exhibit any discernible multicollinearity and that the study's predictor variables did not exhibit strong correlations with one another.

Table 4.18: Multicollinearity Test

Variables	Tolerance	VIF
Awareness	0.342	2.920
Bank Reputation	0.214	4.679
Perceived Complexity	0.211	4.734
Perceived Compatibility	0.535	1.869
Perceived Risk	0.435	2.299
Relative Advantage	0.498	2.009
Religiosity	0.371	2.698
Social Influence	0.312	3.202

Source: Results of Own Survey Data (2023)

Eight predictors of multiple linear regression models were put forth in an effort to determine the most effective collection of predictors of Customers' Decision to Adopt Interest Free Banking (CD). Awareness (X_1), Bank Reputation(X_2), Perceived Complexity (X_3), Perceived Compatibility (X_4), Perceived Risk (X_5), Relative Advantage (X_6), Religiosity (X_7), and Social Influence (X_8). The proposed multiple linear regression model's equation was as follows:

$$Y(\text{CD}) = \beta_0 + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_3) + \beta_4(X_4) + \beta_5(X_5) + \beta_6(X_6) + \beta_7(X_7) + \beta_8(X_8) \varepsilon$$

Where: β_0 = Constant, ε = Error

As shown in the regression model summary of Table 4.19 below, the R-squared and Adjusted R-squared statistic of the model were 0.862 or (86.2%) and 0.859 or (85.9%) respectively. The explanatory power of the independent variables such as awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence on the changes in dependent variable (Customers' Decision to Adopt Interest Free Banking) was 86.2%. The result of Adjusted R-squared shows that changes on dependent variable (CD) was explained 85.9% by the independent variables employed in this study. As a result, other factors beyond the scope of this model or study were responsible for the remaining 14.1% of the changes in the dependent variable (CD).

Table 4.19: Model Summary of the Regression Analysis

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.928 ^a	.862	.859	.65532
a. Predictors: (Constant), Social Influence, Perceived Risk, Relative Advantage, Perceived Compatibility, Bank Reputation, Religiosity, Awareness, Perceived Complexity				
b. Dependent Variable: Customers' Decision to Adopt Interest Free Banking				

Source: Results of Own Survey Data (2023)

The ANOVA result in Table 4.20 below shows the F-statistics and probability (F-statistics) for the regression. At a 1% level of significance, the F-statistic's null hypothesis which states that the Adjusted R-squared is equal to zero was rejected. F-value of 0.000 shows strong statistical significance which enhanced the reliability and validity of the model. This shows that the calculated linear regression model line's slope is greater than zero, demonstrating that there is a linear relationship between all eight predictor variables (i.e., awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence) and Customers' Decision to Adopt Interest Free Banking (CD). This indicates that the eight predictor variables significantly predict Customers' Decision to Adopt Interest Free Banking (CD).

Table 4.20: Results of the Analysis of Variance (ANOVA)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	888.381	8	111.048	258.585	.000 ^b
	Residual	142.146	331	.429		
	Total	1030.526	339			
a. Dependent Variable: Customers' Decision to Adopt Interest Free Banking (CD)						
b. Predictors: (Constant), Social Influence, Perceived Risk, Relative Advantage, Perceived Compatibility, Bank Reputation, Religiosity, Awareness, Perceived Complexity						

Source: Results of Own Survey Data (2023)

Based on the commonly used multiple regression method (Table 4.21 below), it was determined that all four independent or predictor factors were significant in explaining Customers' Decision to Adopt Interest Free Banking (CD). Or the variation in the dependent variable Customers' Decision to Adopt Interest Free Banking (CD) was strongly influenced by all the independent variables.

The regression coefficients in Table 4.21 below were considered significant at the 95% level, yielding an alpha value of 5%. As a consequence, the unstandardized beta coefficients for training needs assessment training design, delivery, and evaluation were 0.244, 0.163, 0.101, 0.114, -0.107, 0.093, 0.065 and 0.127 accordingly from the regression result.

According to Table 4.21 above, the predicted model looked like this:

$$Y(\text{CD}) = -1.572 + 0.244X_1 + 0.163X_2 + 0.101X_3 + 0.114X_4 - 0.107X_5 + 0.093X_6 + 0.065X_7 + 0.127X_8$$

The unstandardized beta coefficients of the regression model in Table 4.21 below indicated that Awareness have the largest positive and significant effect on Customers' Decision to Adopt Interest Free Banking (CD) ($\beta_1 = 0.244$, $t = 9.985$, $p < 0.05$). This means that when Awareness amplified by one point, Customers' Decision to Adopt Interest Free Banking (CD) will increase by 0.244. This suggests that the Dashen Bank S.C. managers need to work on creating awareness of IFB more so as to increase the Customers' Decision to Adopt Interest Free Banking of the bank. Secondly, followed by the unstandardized beta coefficients of Bank Reputation with ($\beta_2 = 0.163$, $t = 5.153$, $p < 0.05$), which suggested that

Bank Reputation has a positive and significant effect on Customers' Decision to Adopt Interest Free Banking (CD). This suggests that a unit rise in Bank Reputation will result a 0.163 growth in Customers' Decision to Adopt Interest Free Banking (CD).

Table 4.21: Analysis of the Regression Model Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.572	.756		-2.080	.038
	AW	.244	.024	.348	9.985	.000
	BR	.163	.032	.228	5.153	.000
	PCL	.101	.036	.124	2.786	.006
	PCT	.114	.019	.171	6.138	.000
	PR	-.107	.023	-.141	-4.570	.000
	RA	.093	.023	.116	4.001	.000
	RL	.065	.020	.108	3.221	.001
	SI	.127	.036	.128	3.494	.001
a. Dependent Variable: Customers' Decision to Adopt Interest Free Banking (CD)						
AW = Awareness, BR = Bank Reputation, PCL = Perceived Complexity, PCT = Perceived Compatibility, PR = Perceived Risk, RA = Relative Advantage, RL = Religiosity and SI = Social Influence						

Source: Results of Own Survey Data (2023)

In the third place was Social Influence with ($\beta_8 = 0.127$, $t = 3.494$, $p < 0.05$) was the third highest positive and significant value to have an effect on Customers' Decision to Adopt Interest Free Banking (CD). It means that one unit rise in Social Influence was followed by 0.127 unit growths in Customers' Decision to Adopt Interest Free Banking (CD). In the fourth place was Perceived Compatibility with ($\beta_4 = 0.114$, $t = 6.138$, $p < 0.05$) was the fourth highest positive and significant value to have an effect on Customers' Decision to Adopt Interest Free Banking (CD). It means that one unit rise in Perceived Compatibility was followed by 0.114 unit growths in Customers' Decision to Adopt Interest Free Banking

(CD). In the fifth place was Perceived Risk with ($\beta_5 = -0.107$, $t = -4.570$, $p < 0.05$) was the fifth highest negative and significant value to have an effect on Customers' Decision to Adopt Interest Free Banking (CD). It means that one unit rise in Perceived Risk was followed by 0.107 unit decline or decrease in Customers' Decision to Adopt Interest Free Banking (CD).

In the sixth place was Perceived Complexity with ($\beta_3 = 0.101$, $t = 2.786$, $p < 0.05$) was the sixth highest positive and significant value to have an effect on Customers' Decision to Adopt Interest Free Banking (CD). It means that one unit rise in Perceived Complexity was followed by 0.101 unit growths in Customers' Decision to Adopt Interest Free Banking (CD). In the seventh place was Relative Advantage with ($\beta_6 = 0.093$, $t = 4.001$, $p < 0.05$) was the seventh highest positive and significant value to have an effect on Customers' Decision to Adopt Interest Free Banking (CD). It means that one unit rise in Relative Advantage was followed by 0.093 unit growths in Customers' Decision to Adopt Interest Free Banking (CD). Finally, Religiosity had scored the smallest positive and significant value to have an effect on Customers' Decision to Adopt Interest Free Banking (CD) with ($\beta_7 = 0.065$, $t = 3.221$, $p < 0.05$). This indicated that one unit rise in Religiosity is followed by a 0.065 unit increase in Customers' Decision to Adopt Interest Free Banking (CD).

4.6. Hypothesis Test Results

The Pearson correlation model and multiple linear regression models tested the eight hypotheses of this research paper concerning Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C., according to the regression tables above, the p-value was used to determine if the hypothesis is true or false and was based on the beta and correlation coefficient with a 95 percent confidence level.

Hypothesis - 1

H_{a1}: Awareness positively affects customers' decision to adopt interest free banking services. The unstandardized beta coefficient with ($\beta_1 = 0.244$, $t = 9.985$, $p < 0.05$) indicated that Awareness had a positive and significant effect on Customers' Decision to Adopt Interest Free Banking (CD). The regression analysis as presented in Table 4.21 above supports this finding. It shows that one unit rise in Awareness is followed by a 0.244 unit growth in Customers' Decision to Adopt Interest Free Banking (CD). As a result, the findings do not

support the null hypothesis, forcing the researcher to accept alternative hypothesis number one, which postulates that Awareness has a favorable and significant impact on Customers' Decision to Adopt Interest Free Banking (CD) at Dashen Bank S.C. The findings of this study are consistent with those of Demissie (2019) and Habib (2022) studies that states if Awareness creation of IFB properly conducted it will increase the Customers' Decision to Adopt Interest Free Banking (CD) of the bank.

Hypothesis – 2

H_{a2}: Bank reputation positively affects customers' decision to adopt interest free banking services.

The unstandardized beta coefficient with ($\beta_2 = 0.163$, $t = 5.153$, $p < 0.05$) indicated that Bank reputation has a positive and significant effect on Customers' Decision to Adopt Interest Free Banking (CD), and the regression analysis as presented in Table 4.21 above supports this finding. This implies that for every unit rise in Bank reputation, Customers' Decision to Adopt Interest Free Banking (CD) increases by 0.163 units. Because of this, the researcher is compelled to accept alternative hypothesis number two, which postulates that Bank reputation has a favorable and significant impact on Customers' Decision to Adopt Interest Free Banking (CD) at Dashen Bank S.C. The results do not support the null hypothesis. This result is also in line with research conducted in the past by Bekele (2018) and Ahmed (2019), they discovered that a Bank reputation will improve the customers' decision to adopt interest free banking services.

Hypothesis – 3

H_{a3}: Perceived Complexity negatively affects customers' decision to adopt interest free banking services.

The unstandardized beta coefficient with ($\beta_3 = 0.101$, $t = 2.786$, $p < 0.05$) indicated that Perceived Complexity has a positive and significant effect on Customers' Decision to Adopt Interest Free Banking (CD). The regression analysis as presented in Table 4.21 above did not support this finding. It implies that for every unit increase in Perceived Complexity, Customers' Decision to Adopt Interest Free Banking (CD) increases by 0.101 units. As a result, the findings did support the null hypothesis, forcing the researcher to embrace null hypothesis number three, which postulates that Perceived Complexity has a positive and significant impact on Customers' Decision to Adopt Interest Free Banking (CD) at Dashen

Bank S.C. There is ample of evidence to support claims that Perceived Complexity will decrease Customers' Decision to Adopt Interest Free Banking (CD), as demonstrated by studies by Bananuka et al. (2019) and Hailu and Bushera (2020), among others.

Hypothesis – 4

H_{a4}: Perceived Compatibility positively affects customers' decision to adopt interest free banking services.

The unstandardized beta coefficient with ($\beta_4 = 0.114$, $t = 6.138$, $p < 0.05$) indicated that Perceived Compatibility has a positive and substantial effect on Customers' Decision to Adopt Interest Free Banking (CD), and the regression analysis as given in Table 4.21 above supports this finding. In other words, a 0.114 unit increase in Customers' Decision to Adopt Interest Free Banking (CD) follows a one unit rise in Perceived Compatibility. As a result, the findings do not support the null hypothesis, and the researcher is compelled to accept alternative hypothesis number four, which postulates that Perceived Compatibility has a positive and significant impact on Customers' Decision to Adopt Interest Free Banking (CD) at Dashen Bank S.C. The results of this study showed that Customers' Decision to Adopt Interest Free Banking (CD) increased with the degree of Perceived Compatibility in a bank, which is consistent with the findings of Obeid and Kaabachi (2016) and Sisay (2017).

Hypothesis – 5

H_{a5}: Perceived risk negatively affects customers' decision to adopt interest free banking services.

The unstandardized beta coefficient with ($\beta_5 = -0.107$, $t = -4.570$, $p < 0.05$) indicated that Perceived risk has a negative and substantial effect on Customers' Decision to Adopt Interest Free Banking (CD), and the regression analysis as given in Table 4.21 above supports this finding. In other words, a 0.509 unit decrease in Customers' Decision to Adopt Interest Free Banking (CD) follows a one unit rise in Perceived risk. As a result, the findings do not support the null hypothesis, and the researcher is compelled to accept alternative hypothesis number five, which postulates that Perceived risk has a negative and significant impact on Customers' Decision to Adopt Interest Free Banking (CD) at Dashen Bank S.C. The results of this study showed that Customers' Decision to Adopt Interest Free Banking (CD)

decreased with the degree of Perceived risk increased in a bank, which is consistent with the findings of Sudarsono et al. (2021) and Habib (2022).

Hypothesis – 6

H_{a6}: Relative advantage positively affects customers' decision to adopt interest free banking services.

The unstandardized beta coefficient with ($\beta_6 = 0.093$, $t = 4.001$, $p < 0.05$) indicated that Relative advantage has a positive and substantial effect on Customers' Decision to Adopt Interest Free Banking (CD), and the regression analysis as given in Table 4.21 above supports this finding. In other words, a 0.093 unit increase in Customers' Decision to Adopt Interest Free Banking (CD) follows a one unit rise in Relative advantage. As a result, the findings do not support the null hypothesis, and the researcher is compelled to accept alternative hypothesis number six, which postulates that Relative advantage has a positive and significant impact on Customers' Decision to Adopt Interest Free Banking (CD) at Dashen Bank S.C. The results of this study showed that Customers' Decision to Adopt Interest Free Banking (CD) increased with the degree of Relative advantage in a bank, which is consistent with the findings of Tsion (2017) and Walid et al. (2018).

Hypothesis – 7

H_{a7}: Religiosity positively affects customers' decision to adopt interest free banking services.

The unstandardized beta coefficient with ($\beta_7 = 0.065$, $t = 3.221$, $p < 0.05$) indicated that Religiosity has a positive and substantial effect on Customers' Decision to Adopt Interest Free Banking (CD), and the regression analysis as given in Table 4.21 above supports this finding. In other words, a 0.065 unit increase in Customers' Decision to Adopt Interest Free Banking (CD) follows a one unit rise in Religiosity. As a result, the findings do not support the null hypothesis, and the researcher is compelled to accept alternative hypothesis number seven, which postulates that Religiosity has a positive and significant impact on Customers' Decision to Adopt Interest Free Banking (CD) at Dashen Bank S.C. The results of this study showed that Customers' Decision to Adopt Interest Free Banking (CD) increased with the degree of Religiosity in a bank, which is consistent with the findings of Wondwosen (2018) and Muslichah and Sanusi (2019).

Hypothesis – 8

H_{a8}: Social influence positively affects customers’ decision to adopt interest free banking services.

The unstandardized beta coefficient with ($\beta_8 = 0.127$, $t = 3.494$, $p < 0.05$) indicated that Social Influence has a positive and substantial effect on Customers’ Decision to Adopt Interest Free Banking (CD), and the regression analysis as given in Table 4.21 above supports this finding. In other words, a 0.127 unit increase in Customers’ Decision to Adopt Interest Free Banking (CD) follows a one unit rise in training evaluation. As a result, the findings do not support the null hypothesis, and the researcher is compelled to accept alternative hypothesis number eight, which postulates that Social Influence has a positive and significant impact on Customers’ Decision to Adopt Interest Free Banking (CD) at Dashen Bank S.C. The results of this study showed that Customers’ Decision to Adopt Interest Free Banking (CD) increased with the degree of Social influence in a bank, which is consistent with the findings of Sudarsono et al. (2021) and Habib (2022).

Table 4.22: Summary of Hypothesis Testing

Hypothesis	P-value	Expected Effect	Result	Decision Accepted/Rejected
H_{a1} : Awareness positively affects customers’ decision to adopt interest free banking services.	0.000	Positive	Positive	Accepted
H_{a2} : Bank reputation positively affects customers’ decision to adopt interest free banking services.	0.000	Positive	Positive	Accepted
H_{a3} : Perceived Complexity negatively affects customers’ decision to adopt interest free banking services.	0.006	Negative	Positive	Rejected
H_{a4} : Perceived Compatibility positively affects customers’ decision to adopt interest free banking services.	0.000	Positive	Positive	Accepted
H_{a5} : Perceived risk negatively affects	0.000	Negative	Negative	Accepted

customers' decision to adopt interest free banking services.				
H_{a6} : Relative advantage positively affects customers' decision to adopt interest free banking services.	0.000	Positive	Positive	Accepted
H_{a7} : Religiosity positively affects customers' decision to adopt interest free banking services.	0.001	Positive	Positive	Accepted
H_{a8} : Social influence positively affects customers' decision to adopt interest free banking services.	0.001	Positive	Positive	Accepted

Source: Results of Own Survey Data (2023)

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter contains of the deductions drawn from the analysis part and the suggestions forwarded by the investigator so as to advance the Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C.

5.1. Conclusions

This paper aims to identify the main Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C. The researcher came to the conclusion that the Awareness, Bank Reputation, Social Influence, Perceived Compatibility, Perceived Complexity, Relative Advantage and Religiosity had a positive and significant impact on Customers' Decision to Adopt Interest Free Banking in the studied area. Whereas, was Perceived Risk has a negative and significant effect on Customers' Decision to Adopt Interest Free Banking.

The correlation investigation result shows a strong positive and significant relationship between the independent variables (i.e., Awareness) and the dependent variable (i.e., Customers' Decision to Adopt Interest Free Banking) in Dashen Bank S.C. Awareness and Customers' Decision to Adopt Interest Free Banking had the strongest positive and most significant association coefficient ($r = 0.840$). Following Social Influence and Customers' Decision to Adopt Interest Free Banking ($r = 0.800$), thirdly followed by Religiosity ($r = 0.767$), fourthly followed by Bank Reputation ($r = 0.763$), fifthly by Perceived Compatibility ($r = 0.705$) and sixthly followed by Relative Advantage ($r = 0.689$). Social Influence, Religiosity Bank Reputation, Perceived Compatibility and Relative Advantage have strong and positive correlations with Customers' Decision to Adopt Interest Free Banking respectively, which are statistically significant at 99 percent confidence level. Perceived Complexity ($r = -0.669$) and Perceived Risk ($r = -0.658$) have strong and negative correlations with Customers' Decision to Adopt Interest Free Banking respectively. Therefore, the study concluded that at a 1 percent level of significance it was found that the Awareness, Social Influence, Religiosity, Bank Reputation, Perceived Compatibility and Relative Advantage have a positive and significant association with Customers' Decision to Adopt Interest Free Banking in the study area. But Perceived Complexity and Perceived Risk

have a negative and significant association with Customers' Decision to Adopt Interest Free Banking respectively.

The regression analysis between the independent variables (i.e. awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence) and dependent variable (i.e. Customers' Decision to Adopt Interest Free Banking) in Dashen Bank S.C. showed that the strongest contribution to explaining the dependent variable (i.e. customers' decision to adopt interest free banking) was made from awareness, followed by bank reputation, social influence, perceived compatibility, perceived risk, perceived complexity, relative advantage and religiosity respectively. This shows that the Religiosity have a least effect on the Customers' Decision to Adopt Interest Free Banking. The value of adjusted R^2 is 0.859, shows that 85.9% of the deviation of Customers' Decision to Adopt Interest Free Banking in Dashen Bank S.C. was explained by the eight factors affecting customers' decision to Adopt IFB that can affect the customers' decision to adopt interest free banking. The remaining 14.1% was caused by other variables, which are outside the purview of this investigation. The study concludes that awareness bank reputation, social influence and perceived compatibility have a positive effect on customers' decision to adopt interest free banking in Dashen Bank S.C. Additionally, Perceived Complexity, Relative Advantage and Religiosity have a significant and positive effect on customers' decision to adopt interest free banking in Dashen Bank S.C. On the other side, perceived risk has a negative and significant effect on customers' decision to adopt interest free banking in Dashen Bank S.C.

5.2.Recommendations

This study was aimed to investigate Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C. The researcher provided the following recommendations, which may have managerial implications, based on the data and conclusions reached:

- All of the factors affecting customers' decision to Adopt IFB aspects that can impact customers' decision to adopt interest free banking, such as awareness, bank reputation, perceived complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence, have all received mean scores that fall

within the 'agree' range on a 5-point Likert scale, according to the survey results. Therefore, the management of Dashen Bank S.C. should take further measures to enhance customers' decision to adopt interest free banking by offering more possibilities for awareness of IFB services to the customers of the bank.

- The IFB banks in Ethiopia must actively promote themselves to the public to improve the reputation of IFB banks and to introduce innovations available in adopting interest free banking services.
- IFB banks in Ethiopia must apply marketing strategies by utilizing communication media to provide customers with knowledge about IFB banks. IFB banks need to optimize various information channels that are cheap, fast, and easily accessible to customers by using social media, such as Facebook, Instagram, Twitter, LinkedIn, and so forth.
- The questions regarding the risk of using IFB in the minds of customers could also be reduced by efficient advertising campaigns. And also the communication of the better relative advantage of the Dashen Bank S.C. IFB services in comparison to the competitor banks could also increase the chances of bank selection.
- The decrease in the complex IFB bank procedures could increase the chances of bank selection than its competitors by the customers. The compatibility with other banks in the market could also maximize the possibility of more usage of banking services. The banks also need to disseminate the information regarding their IFB services in simpler language to build a prominent position in the minds of customers.

5.3. Implications for Future Research

This study was conducted to investigate the factors affecting customers' decision to adopt interest free banking in Ethiopia: The Case of Dashen Bank S.C. The sample was drawn only from the selected branches of Dashen Bank S.C. in Addis Ababa, thus this study may be limited in its generalizability of the findings to others banks or branches of Dashen Bank S.C. operating in the country. So, future researchers should have to draw sample of respondents from other banks and branches operating in the country for the sake generalizing the results of the study.

Secondly, the variables used in this study could not represent the customer's decision to adopt Interest Free Banking in Ethiopia as a whole. Therefore, additional variables of literacy and knowledge about Interest Free Banking may need to be included by future researchers. Moreover, future research can enlarge the scope of the study to erase the negative perception of Interest free banking products and services by considering replicating this study in other bank institutions both in the capital city and also in others cities of the country. The present study used interest free banking products and services account holders' only to examine toward intention to use Interest free banking products and services so; future researchers may consider other account holders and also employees as a sample for their study. Besides this, future researchers may include other banks in the city as their target population to get detailed results regarding factors affecting the adoption of IFB from both the customers as well as from the employee's perspectives.

REFERENCES

- Abdulahde, M. F. (2020). Challenges and Opportunities of Expansion of Islamic Banks in Ethiopia: Case of Commercial Bank of Ethiopian Dire Dawa Interest Free Branch. *Research Journal of Finance and Accounting*, 11(3).
- Ahmed, H. (2017). *Contribution of Islamic Finance to the 2030 Agenda for Sustainable Development*. United Kingdom: Durham University.
- Ahmed, M. I. (2019). The Progress to Allow Fully Fledged Interest Free Banking Business in Ethiopia. *European Journal of Islamic Finance*, (14).
- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50(2) 179-211.
- Alfred K. M. N. (2015). *Islamic Finance: Opportunities, Challenges, and Policy Options*. International Monetary Fund.
- Al-Hashimi, M. A., (2012). Ethiopian Muslims and the Ahabash Controversy. Retrieved January 12, 2022, from <https://crescent.icit-digital.org/articles/ethiopian-muslims-and-theahbash-controversy>
- Al-Sayaad, J., Rabea, A. and Samrah, A. (2006). *Statistics for Economics and Administration Studies*. Dar Hafez, Jeddah: Kingdom of Saudi Arabia.
- Ali, W. A., Zainuddin Y. & Panigrahi, S. (2017). Conceptual Framework on Usage of Islamic Banking amongst Banking Customers in Libya. *International Journal of Innovation and Business Strategy (IJIBS)*, 7(1), 10-17.
- Amin, M., Isa, Z., & Fontaine, R. (2013). Islamic Banks: Contrasting the Drivers of Customer Satisfaction on Image, Trust, and Loyalty of Muslim and Non-Muslim Customers in Malaysia. *International Journal of Bank Marketing*, 31(2), 79–97.
- Aziz, H. A., Echchabi, A., & Ayedh, A. M. (2015). Current State and Future Prospects of Islamic Banking in Morocco: An Empirical Investigation. *Journal of Emerging Economies and Islamic Research*, 3(2), 1–10.
- Bananuka, J., Kaawaase, T. K., Kasera, M., & Nalukenge, I. (2019). Determinants of the Intention to Adopt Islamic Banking in a Non-Islamic Developing Country: The Case of Uganda. *ISRA International Journal of Islamic Finance*, 11(2), 166–186.
- Bashir, M. S. (2012). Analysis of Customer Satisfaction with the Islamic Banking Sector: Case of Brunei Darussalam. *Asian Journal of Business and Management Sciences*, 2(10), 38–50.
- Bekele, B. (2018). Factors Affecting Adoption of Interest Free Banking at United Bank S.C. *MBA Thesis of St. Mary's University School of Graduate Studies*.
- Bhattacharjee A. (2012). *Social Science Research: Principles, Methods, and Practices*. USA: University of South Florida, Global Text Project.
- Chebab, S., & Zribi, H. (2012). Expected Regret and Islamic Banking in Emerging Countries: The Case of Tunisia. *Journal of Business Studies Quarterly*, 3(4), 119–131.
- Cooper, D. R., & Schindler, P. S. (2011). *Business Research Methods* (11th eds.). New York: McGraw-Hill/Irwin.
- Creswell, J. (2009). *Business Research Methods: Qualitative, Quantitative, and Mixed Methods Approaches* (2nd ed.). California: Sage Publisher.

- Dashen Bank S.C. (2022). Web Report [online] Available from: < <http://www.dashenbank.com.et>>. [08 May 2022]
- Demissie, N. (2019). Factors Affecting Implementation of Interest Free Banking Services in Ethiopia; the Mediation Role of Customer Involvement. *Unpublished MSc Thesis of Addis Ababa University*.
- Demirgüç-Kunt, A., Leora K., Dorothe S., Saniya A., & Jake H. (2018). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. World Bank: Washington, DC.
- Dusuki, A. W., & Abdullah, N. I. (2007). Why Do Malaysian Customers Patronize Islamic Banks? *International Journal of Bank Marketing*, 25(3), 142–160.
- Echchabi, A., & Abdulaziz, H. (2012). Empirical Investigation of Customers' Perception and Adoption towards Islamic Banking Services in Morocco. *Middle-East Journal of Scientific Research*, 12(6) 849-858.
- Faisal, M., Akhtar, A., & Rehman, A. (2014). Awareness of Islamic Banking in India: An Empirical Study. *International Journal of Engineering and Management Research*, 7(6), 1–13.
- Feyissa, D. (2012). The Transnational Politics of the Ethiopian Muslim Diaspora. *Ethnic and Racial Studies*, 35(11), 1893-1913.
- Fishbein, A. A. (1991). *The Theory of Planned Behavior*. Organizational Behavior and Human Decision Processes.
- Franzoni, S., & Ait Allali, A. (2018). Principles of Islamic Finance and Principles of Corporate Social Responsibility: What Convergence? *Sustainability*, 10(3), 637.
- Gait, A. H., & Worthington, A. C. (2007). *A Primer on Islamic Finance: Definitions, Sources, Principles and Methods*.
- Gerrard, P., & Cunningham, J. B. (2003). The Diffusion of Internet Banking among Singapore Consumers. *International Journal of Bank Marketing*, 21(1), 16–28.
- Gerrard, P., Cunningham, J. B., & Devlin, J. F. (2006). Why Consumers are not Using Internet Banking: A Qualitative Study. *Journal of Services Marketing*, 20(3), 160–168.
- Getachew, A. & Kedir, S. (2019, May). Ethiopian PM Attends Iftar with Muslim Community: Abiy Ahmed Promises Grand Mosque, Interest-Free Banking for Muslims. Anadolu Agency. Retrieved January 12, 2022 from <https://www.aa.com.tr/en/africa/ethiopianpm-attends-iftar-with-muslim-community/1484949>
- Gounaris, S., & Koritos, C. (2008). Investigating the Drivers of Internet Banking Adoption Decision: A Comparison of Three Alternative Frameworks. *International Journal of Bank Marketing*, 26(5), 282–304.
- Habib, A. H. (2022). Examine Factors That Influence a Customer's Intention to Use Interest-Free Banking Products and Services of Commercial Banks in Ethiopia (The Case of Jigjiga City). *International Journal of Humanities, Art and Social Studies (IJHAS)*, 7(3), 31 – 45.
- Hailu, A. (2015). Challenges and Prospects of Islamic Banking for Resource Mobilization in Ethiopian Commercial Banks. *Unpublished St. Mary's University School of Graduate MSc Thesis*.
- Hailu, S. M. & Bushera, I. (2020). Interest Free Banking in Ethiopia: Prospects and Challenges. *International Journal of Islamic Economics and Finance Studies*, 2020/2: 119-137.

- Hailu, S. M., Kapusuzoglu, A., & Ceylan, N. B. (2019). The Role of Islamic Financial Product Innovation in Reduction of Financial Exclusion in Ethiopia. In *Handbook of Research on Managerial Thinking in Global Business Economics* (pp. 426-446). IGI Global.
- Hair, J. F., Anderson, R. E., Babin, B. J., & Black, W. C. (2010). *Multivariate Data Analysis: A Global Perspective* (7th ed.). Upper Saddle River, NJ: Pearson.
- Huber, S., & Huber, O. W. (2012). The Centrality of Religiosity Scale (CRS). *Religions*, 3(3), 710–724.
- Ibrahim, A. (2012). An Empirical Analysis on the Operational Challenges of Interest Free Banking Window in Nigeria: A Case Study of Keystone Bank Limited in Nasarawa State. *European Scientific Journal*, 8(15).
- Iqbal, M. & Llewellyn, D. T. (2002). *Islamic Banking and Finance New Perspectives on Profit-Sharing and Risk*. Cheltenham, UK: Edward Elgar Publishers.
- Iqbal Z. & Mirakhor, A. (2013). *Economic Development and Islamic Finance*. Washington DC/USA: International Bank for Reconstruction and Development/The World Bank.
- Ismail, S., Azmi, F., & Thurasamy, R. (2014). Selection Criteria for Islamic Home Financing in Malaysia. *International Journal of Business and Society*, 15(1), 97–110.
- Kaawaase, T. K., & Nalukwago, L. (2017). Religiosity and Islamic Banking in Uganda. *Makerere Business Journal*, 13(1), 70–93.
- Khan, M. (2016). Islamic Banks Service Innovation Quality: Conceptual Model. *Journal of Islamic Economics*, 8, 287 - 306.
- Khattak, N. A., & Rehman, K. U. (2010). Customer Satisfaction and Awareness of the Islamic Banking System in Pakistan. *African Journal of Business Management*, 4(5), 662–671.
- Kholid, M. N. (2019). Determinants of Intention to Use Islamic Mobile banking: Evidence from the Millennial Generation. *Jurnal Ekonomi & Keuangan Islam*, 5(2), 53–62.
- Lajuni, N., Wong, W., Ming, P., Yacob, Y., Ting, H., & Jausin, A. (2017). Intention to Use Islamic Banking Products and Their Determinants. *International Journal of Economics and Financial Issues*, 7(1), 329–333.
- Mohanachandran, D. K., & Normala, S. G. (2019). Islamic Banking Implementation: Supportive Role of Business Service. *Jurnal Pengurusan*, 57(December).
- Mugenda, O., & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approach*. Nairobi: Acts Press.
- Muslichah, I., & Sanusi, S. (2019). The Effect of Religiosity and Financial Literacy on the Intention to use Islamic Banking Products. *Asian Journal of Islamic Management*, 1(2), 85–92.
- National Bank of Ethiopia (NBE). (2022). Annual Report. Addis Ababa.
- Nguyen, V. A., & Nguyen, T. P. T. (2020). An Integrated Model of CSR Perception and TAM on the Intention to Adopt Mobile Banking. *Journal of Asian Finance, Economics, and Business*, 7(12), 1073–1087.
- Nunnally, J. (1978). *Psychometric Theory* (2nd ed.). New York: McGraw-Hill.
- Obeid, H., & Kaabachi, S. (2016). Empirical Investigation into Customer Adoption of Islamic Banking Services in Tunisia. *Journal of Applied Business Research* – 32(4), 1243 – 1256.
- Olad, M. M. (2012). Islamic Banking: Prospects, Opportunities and Challenges in Ethiopia. *Addis Ababa University Unpublished Project Paper*.

- Rammal, H.G., & Zurbrugg, R. (2007). Awareness of Islamic Banking Products among Muslims: The Case of Australia. *Journal of Financial Services Marketing*, 12(1): 65-74.
- Rattanaburi, K., & Vongurai, R. (2021). Factors Influencing Actual Usage of Mobile Shopping Applications: Generation Y in Thailand. *Journal of Asian Finance, Economics, and Business*, 8(1), 901–913.
- Rogers, E. M. (1983). *Diffusion of Innovation*. New York, NY: Free Press.
- Rogers, E.M. (2003). *Diffusion of Innovations*, 5th ed. New York, NY: Free Press.
- Roy, D. A. (2011). Islamic Banking. *Middle Eastern Studies*, 27(3), 427-456. <https://www.jstor.org/stable/4283449>
- Sanusi, M. (2011). Islamic Finance in Nigeria: Issues and Challenges. Governor, Central Bank of Nigeria.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students* (5th ed.). London: Pearson Education Limited.
- Schoon, N. (2016). *Modern Islamic Banking: Products, Processes in Practice*. New Jersey, USA: John Wiley & Sons Ltd.
- Sefiani, Z. (2015). Policy Analysis on Ethiopia Interest Free Banking (IFB) Directive.
- Sisay, T. (2017). Challenges and Opportunities of Interest Free Banking in Ethiopia. *Master's Thesis of Addis Ababa University*.
- Solé, J. (2007). Introducing Islamic Banks into Conventional Banking Systems. *IMF Working Paper. WP/07/175*.
- Souiden, N., & Marzouki, R. (2015). Consumer Attitudes and Purchase Intentions toward Islamic Banks: The Influence of Religiosity. *International Journal of Bank Marketing*, 33(2), 143-161.
- Sudarsono, H., Tumewang, Y.K., & Kholid, M.N. (2021). Customer Adoption of Islamic Banking Services: Empirical Evidence from Indonesia. *Journal of Asian Finance, Economics and Business*, 8(3), 1193–1204.
- Tabachanick B. and Fidell L. (2007). *Using Multivariate Statistics* (5th ed.). Boston: Pearson Education.
- Tadesse, F. (2019,). Central Bank Relaxes Interest-Free Banking Rules. Fortune News. Retrieved January 12, 2022 from <https://addisfortune.news/central-bank-relaxesinterest-free-banking-rules/>
- Taylor, S., & Todd, P. (1995). Decomposition and Crossover Effects in the Theory of Planned Behavior: A Study of Consumer Adoption Intentions. *International Journal of Research in Marketing*, 12(2) 137-156.
- Teferi, M. (2015). Contribution of IFB to Economic Development and its Prospect in Ethiopia. *An EMBA Thesis Submitted to Addis Ababa University*.
- Thambiah, S., Ismail, H., & Eze, U. C. (2011). Customer Awareness and Current Usage of Islamic Retail Banking Products and Services in Malaysia. *Australian Journal of Basic and Applied Sciences*, 5(10), 667–671.
- Tsion, S. (2017). Challenges and Opportunities of Interest Free Banking in Ethiopia. *Unpublished Master's Thesis of Addis Ababa University*.

- Uddin, M. A. (2015). Principles of Islamic Finance: Prohibition of Riba, Gharar and Maysir. *MPRA Paper No. 67711*. <https://mpra.ub.uni-muenchen.de/67711/>
- Usai, D. (2017). Islamic Banking as an Alternative to Conventional Banking. Hfu Business School, International Business.
- Walid, A.A., Yuserrie Z. & Shrikant K.P. (2018). The Acceptance of Islamic Banking Products in Libya: A Theory of Planned Behavior Approach. *International Journal of Economics and Financial*, 8(3), 105-111.
- Wondwosen, T. (2018). Operational Challenges and Opportunities of Interest Free Banking in Ethiopia. *Unpublished Master's Thesis, Addis Ababa University*.
- Yamane T. (1973). *Statistics, An introductory Analysis*. New York: Harpeer and Row.
- Zamil, N. A. (2014). An Empirical Investigation into the Problems and Challenges Facing Islamic Banking in Malaysia. *A Thesis Submitted in Fulfillment of the Requirements for the Degree of Doctor of Philosophy at Cardiff University*.

APPENDIX

Appendix 1: Research Questionnaires

Addis Ababa University

College of Business and Economics

Department of Management

Dear respondent,

This research is conducted by Adil Metsa Birhanu, a student at Addis Ababa University for the partial fulfillment of the requirements for master's degree in Business Administration (MBA). Currently, I am conducting a research entitled "Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C." I kindly would like to requisite you that you are one of the best and honorable reliable respondents selected on this study.

Please assist me in giving correct and complete information to present a representative finding on the current status of Factors Affecting Customers' Decision to Adopt Interest Free Banking in Ethiopia: The Case of Dashen Bank S.C.

Your participation is entirely voluntary and the questionnaire is completely anonymous.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only.

Sincerely Yours,

Adil Metsa Birhanu

Instructions

1. No need of writing your name
2. For Likert scale type statements and multiple choice questions indicate your answers with a check mark (√) in the appropriate block.

N. B. If you have any additional comments, clarifications, information, and suggestions, you can contact the researcher in the following addresses:

Name: Adil Metsa Birhanu

Mobile: 0923519588

E-mail: metsaadil@gmail.com

Thank you in advance for your invaluable cooperation and dedicating your time.

Part One: Demographic Characteristics of Respondents

Please indicate your answer by encircling the letter of your choice:

1. Gender:
 - a. Male
 - b. Female
2. Age:
 - a. 20-30 years
 - b. 31-40 years
 - c. 41-50 years
 - d. Above 50 years
3. Educational level:
 - a. Certificate and below
 - b. Diploma
 - c. First degree
 - d. Master's degree and above
4. Monthly income (in Ethiopian Birr):
 - a. 2001-4000 birr
 - b. 4001-6000 birr
 - c. 6001-8000 birr
 - d. Above 8000 birr
5. Professional status
 - a. Public Sector
 - b. Private Sector
 - c. Self-employed
 - d. Retired

Section 2: Factors Affecting Customers' Decision to Adopt IFB Dimensions

The major factors affecting customers' decision to adopt IFB practices are listed below. Please indicate the degree to which these factors are applied in your Bank. After you read each of the factors, evaluate them in relation to your Bank and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1 = strongly disagree.

Please indicate the degree to which you agree with the following statements

Code	Awareness	1	2	3	4	5
AW1	I know the presence of IFB banking in Ethiopia					
AW2	I know the instruments used in financing products offered by IFB banks					
AW3	I know the distinction between IFB bank and its conventional counterpart					
AW4	I know the features and benefits of IFB products					
AW5	To be well-known, IFB banks should do more promotions					

Code	Bank Reputation	1	2	3	4	5
BR1	Dashen Bank's IFB has a good reputation					
BR2	Dashen Bank's IFB has a reputation of honesty					
BR3	Dashen Bank's IFB is known to have good care for customers					
BR4	Dashen Bank's IFB has a reputation of being transparent with customers					
Code	Perceived Complexity	1	2	3	4	5
PCL1	To use Dashen Bank's IFB, customers need a lot of knowledge					
PCL2	Customers experience difficulties in conducting transactions in IFB					
PCL3	Making transactions in IFB is complicated and frustrating					
PCL4	IFB services involve complicated procedures					
Code	Perceived Compatibility	1	2	3	4	5
PCT1	Dashen Bank's IFB is in line with my values					
PCT2	Dashen Bank's IFB suits my needs					
PCT3	Dashen Bank's IFB is very suitable for my lifestyle					
PCT4	Using Dashen Bank's IFB services is very compatible with the way I manage my money					
Code	Perceived Risk	1	2	3	4	5
PR1	Using IFB services can bring potential financial losses					
PR2	Using IFB services could not provide the benefits that I expect					
PR3	Adopting the service from an IFB can damage my self-image					
PR4	Adopting the service from an IFB can adversely impact other people's opinions about me					
Code	Relative Advantage	1	2	3	4	5
RA1	Dashen Bank's IFB operation is in line with Sharia principles					
RA2	Profit-based financing - sharing of losses between the lender and the borrower will benefit both parties					
RA3	Return on investment in IFB is more profitable than interest in conventional banks					
RA4	IFB banks offer a lower cost than conventional banks					
Code	Religiosity	1	2	3	4	5
RL1	I try to follow the commands of Islam in everything in my life					
RL2	I always try to avoid small and big sins as the teachings of my religion					

RL3	I believe that all ideological dimensions are based on Islam					
RL4	I know the basis and knowledge needed in my religion					
RL5	I feel sadness and dissatisfaction when I do something contrary to my faith					
Code	Social Influence	1	2	3	4	5
SI1	People I consider important can influence me to use IFB					
SI2	Most people that I consider important support me to use IFB					
SI3	Most of my friends/colleagues who have become customers of IFB agree that Islamic banking is better than the conventional one					

Section 3: Customers' Decision to Adopt Interest Free Banking Construct

The major indicators of Customers' Decision to Adopt Interest Free Banking are listed below. Please indicate whether these Customers' Decision to Adopt Interest Free Banking indicators have been indicated in your department. After you read each types of indicators, evaluate them in relation to your bank and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1= strongly disagree.

Code	Customers' Decision to Adopt Interest Free Banking	1	2	3	4	5
CD1	I have made a decision of adopting the service from IFB bank in the future					
CD2	I think I will often adopt the service from IFB in the future					
CD3	I would highly recommend others to adopt the service from an IFB					

Thank you once again!!