COLLAGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
MBA – FINANCE (Distance Program)

A RESEARCH THESIS ON:

ASSESSING THE DETERMINANTS OF BEHAVIORAL INTENTION OF INTEREST FREE BANKING CUSTOMERS:

CASE STUDY ON OROMIA BANK S.C.

ADDIS ABABA, ETHIOPIA

SUBMITTED BY

NIYA TAYE TADESSE
ID NO. GSD/2493/11

UNDER THE SUPERVISION OF

TAKELE FUFA (PHD)

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATES STUDIES OF ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE MASTER OF BUSINESS ADMINISTRATION (MBA IN FINANCE)

ADDIS ABABA, ETHIOPIA

February 2024

Addis Ababa, Ethiopia

ADDIS ABABA UNIVERSITY

COLLAGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

MBA (Distance Program)

Assessing the Determinants of Behavioral Intention of Interest-Free Banking Customers:

Case Study on Oromia Bank S.C.
Addis Ababa, Ethiopia

BY

NIYA TAYE TADESSE
ID NO. GSD/2493/11

UNDER THE SUPERVISION OF

TAKELE FUFA (PHD)

A Thesis Submitted to the School of Graduates Studies of Addis Ababa University in Partial Fulfillment of the Requirements for The Master of Business Administration (MBA in Finance)

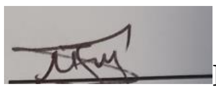
Addis Ababa, Ethiopia

February 2024
Addis Ababa, Ethiopia

DECLARATION

I, the undersigned, declare that this research project entitled "Assessing the Determinants of Behavioral Intention of Interest-Free Banking Customers: case study on Oromia Bank S.C." is my original work and has not been presented for any degree in any other University and that all the sources of materials used for the thesis have been duly acknowledged.

Declared by: Niya Taye

Signature:  **Date: __February, 2024_____**

STATEMENT OF CERTIFICATION

This is to certify that Niya Taye has studied **"Assessing the Determinants of Behavioral Intention of Interest-Free Banking Customers: case study on Oromia Bank S.C."** under my supervision. This work is original and suitable for submission in partial fulfillment of the requirement for the award of a degree of Master's in Business Administration.

Takele Fufa (PhD)

Signature ___________ **Date ___November 3, 2023_________**

Addis Ababa University

Faculty of Business and Economics

Department of Management

This is to certify that the thesis prepared by Niya Taye entitled "**Assessing the Determinants of Behavioral Intention of Interest-Free Banking Customers: case study on Oromia Bank S.C."** which is submitted in Partial Fulfillment of the Requirements for the degree of Master of Business Administration. Complies with the regulations of the University and meets the accepted standards concerning originality and quality.

Approved by:

Takele Fufa (PhD) **Signature __________ Date ___November 3, 2023_________**
Advisor

Alem H. (PhD) **Signature __________ Date February, 2024**
Examiner (Internal)

Dejene (PhD) **Signature __________ Date February, 2024**
Examiner (External)

Acknowledgements

Thank you, God, for giving me the wisdom, strength, support, and knowledge to explore things, for the guidance in helping me surpass all the trials that we encountered, and for giving me the determination to pursue this study, and to make this study possible.

I would like to express my sincere gratitude to our thesis advisor, Dr. Takele Fufa for his continuous support of this study, for his insightful comments, for his patience enthusiasm, and immense knowledge.

Nobody has been more important to me in the pursuit of this paper than the members of my family. I would like to thank my parents and siblings; whose love and guidance are with me in whatever I pursue. Most importantly, I wish to thank my husband and my wonderful daughters who provide unending inspiration.

This study has been made possible through the direct and indirect cooperation of various persons for whom I wish to express my appreciations and gratitude. I am grateful to all of those with whom I have had the pleasure to work during this study.

Finally, I should acknowledge the effort and support of Oromia bank employees and customers that led to the success of this study.

Thank you all!

Contents

List of Tables

List of Figures

Acronyms

ATB	Attitude Toward Behavior
ASE	Attitude, Social influence and Self-efficiency
CBE	Commercial Bank of Ethiopia
CSA	Central Statistic Authority
EFA	Exploratory Factor Analysis
GIFR	Global Islamic Finance Report
IBM	International Business Machine
IFB	Interest-free Banking
IFSB	Islamic Financial Service Board
IMF	International Monetary Fund
NBE	National Bank of Ethiopia
OB	Oromia Bank
OIB	Oromia International Bank
PBC	Perceived Behavioral Control
PDF	Portable Document Format
SBB	Supervision of Banking Business
SME	Structure Equation Model
SPSS	Statistical Package for Social Science
SN	Subjective Norm
TID	Theory of Innovation Diffusion
TPB	Theory of Planned Behavior
TRA	Theory of Reasoned Action
UAE	United Arab Emirates

Abstract

This paper reviewed the current state and future perspectives of Interest-Free Banking in the case of Oromia Bank S.C. Specifically; the research is aimed at reviewing the current state of Interest-free banking practice of Oromia Bank and investigating factors influencing the adoption of interest-free banking services of the bank. Accordingly, the descriptive and exploratory research designs were applied for the study and a survey was conducted covering 384 respondents of IFB customers from 32 sample branches that were selected based on a purposive sampling technique which targeted all 46 full-fledged IFB branches and other 400 conventional branches that give the service on window base Mixed research approach was used and the study relied on primary and secondary data. The collected data was analyzed using exploratory factor analysis. The findings of the study depict that the bank's IFB practice growth in terms of deposit, financing, number of customers, profit and branch expansion have been showing an increment except for some fluctuation during the year between 2019 and 2020, which was due to the Covid-19 pandemic. Currently, the bank has achieved an excellent result in terms of its target given on different performance measurements and its current customers' usage of the service shows most of them get the service for more than three years and serve occasionally, saving was their reason for attachment with the bank and they are associated with full-fledged IFB branches and Amana IFB account. The relative advantage and compatibility are the main factors that influence the adoption of IFB service while, uncertainty, social influence and awareness have a negative influence. It is recommended that the bank should give much emphasis on branch expansion, mobilizing more deposits and customers. Much emphasis should be on the relative advent and compatibility of the IFB practice. The Shari'ah advisory committees should communicate with the society to identify their problems and questions on the IFB practice and educate them well. The National Bank of Ethiopia should have a separate department that is composed of different scholars of Shari'ah law and well-trained and experienced employees.

Key words: *Interest Free Banking, Ethiopia, Oromia Bank, S.C,*

CHAPTER ONE
INTRODUCTION

1.1 Introduction

This chapter presents an introduction to the study. In the first section of the chapter, background studies that are relevant to the study are presented. The second section presents the problem statement, and the third section is about research questions. Further, the chapter presents about objectives, scope, significance and limitations of the study.

1.2 Background of the Study

Islamic banking is banking or banking activity that is consistent with the principles of sharia and its practical application through the development of Islamic economics. As such, a more correct term for 'Islamic banking' is 'Sharia-compliant finance (Khan Ajaz A, 2011). Islamic finance is one of the most rapidly growing segments of the global finance industry. Gait & Worthington (2007) define Islamic finance as financial institutions and products designed to comply with Islamic law (Sharia). It has emerged with the intention of providing alternative Sharia-compliant financial services and products for those who are not able to access conventional financial services due to religious reasons. Different from conventional finance and banking, Islamic finance and banking are built upon five pillars that are the indispensable measurements of the religious validity (Sharia compliance) of any financial activity. These fundamental pillars are the prohibition of riba (interest), the ban on speculative elements in financial contracts (Gharar), the prohibition of gambling (mayser), the ban on the use of trade and investment involving any element of a prohibited asset or activity (Haram), the profit and loss sharing principle and the imperative to have real assets underlying any given financial transaction (Franzoni and Allali, 2018).

Islamic scholars agree that the definition of riba (interest) in the late 1970s referred to any addition of capital, which was differentiated from credit sales. At this time, the next issue was how best to define ‘Islamic economics’. From the perspective of human welfare, Anas

Zarqa (1980) and Ahmed Khurshid (1980) sought first to characterise neo-classical assumptions about consumer behaviour.

Ongoing activities include Islamic banking, sukuk issuances (to finance infrastructure projects), Takaful (insurance), and microfinance. While not yet significant in most Sub-Saharan countries, several features make Islamic finance instruments relevant to the region, in particular the ability to foster SMEs and micro-credit activities. The entrance of full-fledged Islamic banks requires addressing systemic issues and adapting crisis management and resolution frameworks (IMF, 2014).

Customers are becoming increasingly interested in banking in an Islamic manner and many conventional banks are now offering interest-free banking products in addition to conventional banking services (Abdul-Majid, Saal, & Battisti, 2010). Interest-free products are introduced as an alternative to conventional banking products. Looking at the ever-changing and dynamic environment, interest-free banking needs to innovate and create new products to remain competitive (Salman and Nawaz, 2018).

In most jurisdictions, Islamic banking is being practiced alongside conventional banking. While conventional banking is still dominant, the growth rate of Islamic banking in these countries is faster than conventional banking (Inwon and Carl, 2014). The same is true in Ethiopia, where the development of interest-free banking is found to be fast and the window services are profitable.

In Ethiopia, the initiative to recognise interest-free banking arises from the fact that the Muslim population of the country has been strongly demanding interest-free banking products for several years. This policy justification of the government is explicitly provided in the very first line of the preamble of the NBE Directives, where it states that the strong public demand for the industry constitutes the policy motivation for the authorization of conventional banks in the country to offer interest-free banking service (NBE Directives, SBB/51/2011).

Subsequently to the issuance of the working directive, the NBE granted the IFB service licence to the then-Oromia International Bank S.C. (OIB), now Oromia Bank S.C. (OB), on September 16, 2013, enabling the bank to pioneer Islamic banking in Ethiopia. The same licence was granted to the Commercial Bank of Ethiopia (CBE) on September 17, 2013. Accordingly, OB launched the IFB operation on December 16, 2013 as a pioneer and the CBE did so sooner (Teferi, 2015).

Interest-free banking and finance witnessed a rapid expansion over the last few decades and it is currently expanding (El-Hawari et al., 2004). For IFB to continue this expansion and success in any other setting, it must scrutinise its progress and be positively perceived by potential customers to ensure its enduring future. Despite the high demand for using IFB practices, research should be conducted to check the current state of the practice and predict the future prospects of IFB products and services. Examining the current state and future prospects of IFB practices has been studied in developed and a few developing countries. Nevertheless, there are limited published works that examine the current state of IFB practices and, depending on the perception of customers on the factors that influence the adoption of IFB, what can be identified as a prospect of IFB practices in the context of developing countries like Ethiopia.

In Ethiopia, different researchers have studied interest-free banking. Some of these studies include Muhumed (2012), Ali (2016), Debebe (2015), Tsion (2017), Abraham (2017), Getachew (2018), Jemal (2018), Bati (2018), Wondwosen (2018), Kedir (2019), Nobel (2019), and Abraham (2019). and they indicated that the interest-free window-based banking service was negatively affected by a lack of conducive legal framework, a lack of cooperation from the government, the absence of a Shariah advisor, a lack of skilled human resources, a lack of awareness among clients, the unavailability of effective supervision by the NBE, negative perceptions regarding interest-free finance resulting from unjust association with religious extremism, a lack of collaboration between interest-free window providers, a lack of appropriate set-up for interest-free banking businesses, double taxation, and the absence of standardisation.

The stated results of those researches revealed most commonly the challenges of IFB practice and influences on customers to use or implement the practice. Since IFB practice has boundless demand and it’s expanding in Ethiopia at both conventional and full-fledged

IFB banks, survey research on the current state and future prospects of IFB practice is timely and very important.

Hence, this study tried to examine the current state and future prospects of IFB practice in Oromia bank in Addis Ababa city.

1.3 Statement of the Problem

Despite the large size of Muslim society in Ethiopia, which comprises one-third of the Ethiopian population, they were excluded from interest-free banking services and forced to use conventional banking services regardless of Islamic principles. In line with this, Debebe (2015) suggested that appropriate provision of IFB might improve saving culture in the country. According to Samad (2004), interest-free banking services are expected to obey not only Islamic laws but also the conventional business laws of a country.

Overall, it is indicated that the performance of the IFB is affected by potential customers, the regulatory system, the labour market, and the banks. From the side of the banks, it is indicated that the low performance of the IFB is due to a deficiency of an equity-based benchmark or reference rate for asset pricing or evaluating projects to provide products and services at competitive cost and risk management, a lack of appropriate institutional structure, and a lack of innovation in new sharia-compliant financial instruments. It is claimed that in the labour market there is a lack of experts in Islamic banking and a lack of professionals with dual specialisations in modern finance and Islamic Sharia. Consequently, it is suggested that at the advisory and operational levels, the banks could not find the appropriate human resources due to the absence of institutions providing training, teaching, and research on Islamic finance. Further, the studies have shown that policies and procedures to apply Islamic banking products are not clearly formulated, they are differentiated from conventional banking regarding capital and liquidity requirements, and there is a conflict of interest between regulatory bodies and the sharia scholars regarding the application of services and products. Despite these challenges, different banks have implemented the service on a window basis, and it is indicated that there are few users of the service.

Abraham (2017) empirically examined demand-side factors that affected the intention of customers to use IFB products. Teferi (2015) studied the role of IFB for economic development and its prospects in Ethiopia and he suggested that the introduction of IFB does not only create an inclusive financial system for the Muslim population but also has the potential to influence and enhance the economic development of the country through resource mobilisation and employment creation by encouraging people to use the banking system. Noble (2019) examines the factors affecting the implementation of IFB services in Ethiopia. His study suggested that perception contributes to the fast implementation of interest-free banking products. Due to the novelty of the concept of the IFB service in Ethiopia, there are still few references available. As a result, it is not well researched in the area. By merely focusing on examining challenges, opportunities, and factors for the adoption of IFB, different studies conducted in Ethiopia failed to include associations with its future prospects. Moreover, way-forward actions must be identified that are necessary to promote it to the desired level. Additionally, the target population for most of the studies on IFB practices is the Commercial Bank of Ethiopia, even if Oromia Bank is the pioneer in starting the operation. IFB is not yet examined in the current situation where full-fledged IFB banks are starting to operate, and most conventional banks are providing the service at full-fledged and window-based branches. Therefore, this study mainly aims to address three points: firstly, to scrutinise the current practice of IFB in Oromia Bank; secondly, to examine the perception of the IFB accountholders about IFB products and the factors that influence their patronization behavior; and lastly, to identify the opinions of Oromia Bank IFB accountholders to reach a better level in the future and what is necessary to promote it to the desirable level.

1.4 Objectives of the study

1.4.1 General Objective

The main objective of the study is to assess the current state and future prospects of Interest-free banking in case of Oromia Bank S.C.

1.4.2 Specific Objectives

In relation to the general objectives, this study attempts to address the following specific objectives;

- To review the current state of IFB practice in Oromia bank;
- To identify factors affecting the adoption of IFB in Oromia bank;
- To asses opinions of Oromia bank IFB accountholders on interest-free banking practice to reach a better level in the future.

1.5 Research Question

This study tried to address the following main research questions.

- What is the current state of IFB practice in Oromia bank S.C.?
- What are the factors influencing adoption of IFB in Oromia bank S.C.?
- What opinions do IFB accountholders of Oromia bank have on interest-free banking practice to reach a better level in the future?

1.6 Hypothesis Development

Based on the above model in Figure 1.2, uncertainty was assumed to have a negative influence on behavioral intention. While relative advantage, compatibility, social influence, and awareness were assumed to have a positive influence on behavioral intention. In line with the above model, the following hypotheses are posited and tested in the following sections:

H1: *Uncertainty has a negative influence on the usage of IFB service in OB.*

Uncertainty refers to the degree to which a number of alternatives are perceived with respect to the occurrence of an event and the corresponding probabilities of these events (Rogers, 2003). In this study, uncertainty was measured by reference to IFB aspects related to monetary policy issued by the central bank of Ethiopia, the high inflation rate in the country, procedures and regulations issued by the bank, the profitability of the bank, and the employee turnover rate of the bank.

H2: *Relative Advantage has a positive influence on the usage of IFB service in OB.*

Relative advantage is defined as the degree to which an innovation is perceived as being better than the idea it supersedes (Thambiah et al., 2013; Rogers, 2003). Relative advantage was measured in this study in terms of quality of financial dealing, cost/fund of IFB products, revenue gained by the customer and finance management of the IFB customer.

H3: *Compatibility has a positive influence on the usage of IFB service in OB.*

Compatibility refers to the degree to which an innovation is perceived as being coherent with the current values and experiences and the needs of potential adopters (Thambiah et al., 2013; Rogers, 2003). In this study, compatibility was measured by the compatibility of the banking service with the banking needs, habits, religious beliefs, current situation, and human justice of the IFB customer.

H4: *Social Influence has a positive influence on the usage of IFB service in OB.*

Social influence is defined as the degree to which an individual's decision is influenced by their social environment. In this study, several referral groups were measured, such as families, relatives, friends, work colleagues, and advertisements.

H5: *Awareness has a positive influence on the usage of IFB service in OB.*

Awareness is the extent to which the individual is aware of the existence of the innovation (product or service) and, at the same time, the extent of his or her knowledge of its preliminary features. The combination of these two dimensions was measured in this study.

1.7 Significance of the Study

This study has both theoretical implications and managerial implications. Literature in the area of this study attempts to support this based on methodological procedures and concepts included. By knowing the current state of IFB customers and their opinion towards the practice, Oromia Bank could use the findings from this study to enhance its productivity and improve its service. Moreover, the outputs from this study can assist the bank in formulating different strategies and policies to attract more IFB users. In addition, this study has an important role for the management of IFB. Currently, IFB provides banks as well as Oromia Bank S.C. Further, this study could have an important role for newly emerging banks with full-fledged interest-free banking as an independent banking unit.

1.8 Limitation of the Study

The main limitation of the study was the number of IFB customers included in it. Although the geographical location of potential users of IFB has an effect on adoption of IFB, this study fails to include other geographic locations in Ethiopia. Instead, it includes customers only in Addis Ababa. In addition to this, because of selection complexity, this study fails to include potential customers of IFB that are not currently customers of IFB while identifying factors for adoption of IFB. Since IFB is a recent concept in Ethiopia, the availability of the data was one of the limitations.

1.9 Scope of the Study

On content scope, the study was limited to assessing the current state and future prospects of interest-free banking at Oromia Bank S.C. Specifically, the study attempts to examine the current state of IFB practices and identify the perceptions of OB IFB account holders about the products they get and the factors that influence their patronization behavior. On context scope, the study targets 32 OB full-fledged and window-based branches. From that, 384 IFB account holders were the target respondents. The study's geographical scope is limited to customers of IFB providing (both full-fledged and window-based) OB in Addis Ababa due to time and money constraints. In terms of time scope, the study takes into account the target population of IFB customers and secondary data that states the current state of the bank until the end of March 31, 2023.

1.10 Organization of the Study

The study contains five chapters. The first chapter deals with the background of the study, the statement of the problem, the objectives of the study, the research questions, and the significance of the study. The second chapter presents a review of related literature that deals with the concept of the IFB abroad and in Ethiopia. Thus, this chapter includes a theoretical review, an empirical review, a research gap analysis and a conceptual framework. The third chapter deals with the methodology and research design of the study. The analysis of the data and presentation of the output, including the discussion, were included in the fourth chapter. In the fifth chapter, the study presents conclusions and recommendations based on the findings of the study.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of related literature. In the first section, theoretical reviews were presented. This section includes concepts about Islamic financing, Islamic financing and banking in Ethiopia, the principles of IFB and the theoretical framework of the study. The second section presents empirical reviews and the third section presents the research gap and justification of the study. Finally, the conceptual framework of the study is presented.

2.2 Theoretical Review

2.2.1 Islamic Financing

Gait & Worthington (2007) define Islamic finance as “financial institutions and products designed to comply with the central tenets of Sharia (or Islamic law). It is one of the most rapidly growing segments of the global finance industry. Islamic finance has emerged with the objective of providing alternative Sharia-compliant financial services and products for those who are not able to access conventional financial services due to religious reasons.

According to Franzoni and Allali (2018), quite apart from 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 the prohibition of riba (interest), the ban on speculative elements in financial contracts (Gharar), the prohibition of gambling (mayser), the ban on the use of trade and investment involving any element of a prohibited asset or activity (Haram), the profit and loss sharing principle and the imperative to have real assets underlying any given financial transaction.

The history of Islamic finance dates back to the era of Prophet Muhammad (Mohamad et al., 2013). From the rise of Islam until the 12th century, there were different Sharia-compliant financial instruments utilized in the Muslim world. Among these financial instruments accepting deposits, money transfers, bankers called sarrafeen or sayarifah, promissory notes (reqaah al-sayarifah), bills of exchange (suftaja), cheques (sakk), and treasury (Baytal-Mal) were common (Chachi, 2005; Mohamad et al., 2013; Alharbi, 2015).

The decline of Muslim civilization, mainly due to gradual deviation from sharia, extravagance, lack of well-established organisation, political breakdown, the rise of different Islamic sects and different wars, shifted the balance of trade from Muslims to Europeans. Consequently, Muslims also lost their technological and economic advancements. Henceforth, the financial system of all Muslim countries went astray from Sharia compliance, resulting in the adaptation of the western-based conventional financial system (Chachi, 2005).

By the mid-19th century, almost all Muslim countries had adopted the interest-based western financial system (Chachi, 2005). On the subject of adapting conventional financial systems, Muslim scholars' opinions fall into three groups. Scholars in the first group opined that accessing conventional financial services is halal (permitted). Contrary to this, the second group of scholars argued that accessing conventional finance is prohibited, but it is also important. The third group argued that accessing conventional finance is necessary, though riba (interest) is undoubtedly prohibited (haram). The advocate of the third argument suggested that Islamic Sharia has several types of contracts that can be applied in banking business without interest and it is also possible to establish an interest-free banking system (Nasser 1996, as cited in Alharabi, 2015).

Finally, in the 1940s, the idea of establishing an interest-free banking system gained momentum in the theoretical arena, a milestone for modern Islamic finance (Alharabi, 2015). The first attempt to establish an interest-free bank was commenced in the rural area of Pakistan in the 1950s. On July 25, 1963, Mit-Ghamar Islamic Savings Bank (MGISB) was established in Egypt by El-Naggar (Chachi, 2005). In addition to the establishment of Islamic banks, in the 1970s, the modern practice of Islamic insurance (Takaful) also emerged. The first Islamic insurance company was established in Sudan in 1979. Following the success of this company, the practice of Takaful expanded to Muslim and non-Muslim countries (Hussain and Pasha, 2011). The Islamic model of microfinance projects also started in Sudan in the late 1980s (Mollah and Uddin, 2013).

Islamic finance expanded aggressively throughout the Middle East, and currently, it is stretching out in all parts of the world. According to the Global Islamic Finance Report (GIFR, 2019), the total capital of Islamic finance reached US$2.6 trillion at the end of 2018 with a 6.58% annual growth rate. Indonesia, Malaysia, Iran, Saudi Arabia, Sudan, Brunei Darussalam, the UAE, Bangladesh, Kuwait, and Pakistan are the top 10 leading countries in the Islamic finance industry. Based on the total share of global Islamic finance assets, the leading sectors in 2018 were Islamic banking, Sukuk, Islamic funds, and Takaful, with 71.7%, 24.2%, 2.8%, and 1.3%, respectively (IFSB, 2019).

2.2.2 Principles of IFB

The operations of interest-free banking are mainly based on Islamic principles and teachings. As a result, an Islamic bank is not allowed to pay or charge interest for the money it receives from customers as a deposit or lends to customers but rather participates in the yield resulting from the use of funds. The depositors also share in the profits of the bank according to a predetermined sharing ratio. Thus, there is a partnership between the Islamic bank and its depositors, on one side, and between the bank and its investment clients, on the other side, hereby acting as a manager of depositors' resources for productive uses, that is, an interest-free Islamic bank in relation to its clients plays the role of partner, investor, and trader. The complexity of Islamic banking comes from the variety of instruments employed and from understanding the underpinnings of Islamic law (Kettell, 2011). Islamic banking is a unique type of banking system that eliminates all forms of transactions that are prohibited in Islam. So for any bank to be classified as an Islamic bank, the following fundamental principles must be adopted for its operations: (Al-Sultan; 1999), (Samad; 2004), (Bello & Abubakar; 2014), (Kettell; 2011), (Ismayil; 2012), and (Abdul-Rahman; 2010):

The first principle is the prohibition of interest. Under this principle, it is stated that interest means a fixed, predetermined amount in addition to the principal. It is prohibited in Islam.

So, for any bank to be called an Islamic bank, it must not engage in any interest-related transactions but rather profit- and loss-sharing transactions.

The second principle is the prohibition of speculation, which states that transactions that have too much risk are therefore linked to gambling. Since Islam prohibits speculation, a potential Islamic bank will avoid all transactions with excessive risk.

The third principle is about profit, loss, and risk sharing. According to this principle, since interest is prohibited in Islam, the providers of funds and the entrepreneur in an Islamic banking setting share the business risk and profits based on mutual agreement. This act will equitably distribute income, enhance social justice, and alleviate poverty.

Fourth, IFB is provided based on Sharia-approved activities: Islamic banking is a banking system that is based on Sharia. So, any transactions that are prohibited by Sharia, like alcohol, gambling, etc., are avoided in Islamic banking. Islamic banks can only partake in transactions or activities that are approved by the Sharia advisors.

The fifth principle is about social justice, and this principle states that Islam prohibits Muslims from any transactions leading to injustice and exploitation of any kind. So, Islamic banks can not engage in any transactions that will lead to exploitation of any party.

The sixth principle is about the compulsory payment of zakat. It is mandatory for an Islamic bank to pay zakat. Zakat is one of the five pillars of Islam.

Finally, IFB is expected to be overseen by Sharia advisors. Every Islamic bank must be regulated by experts in Islamic law who will have to audit the operations of Islamic banks and their products to make sure that they comply with Sharia guidelines.

2.2.3 Financial and Operational Performance state of a bank

Most of the time, in literature reviews, the bank's performance is represented mainly by quantifiable financial indicators. The literature on the determinants of bank performance is closely tied to profitability measures such as ROA, ROC, and NIM. In some literature, there are two ways of explaining the status of a bank's performance: bank-specific (internal) and macroeconomic variables. The internal indicators are individual bank characteristics that affect the bank's performance. The external variables are sector- or country-wide indicators that are beyond the control of the company and affect its profitability (Al-Tamimi, 2010; Aburime, 2005).

2.2.3.1 Internal Determinants

Internal determinants of a bank performance can be defined as factors that are influenced by a bank's management decision (Al-Tamimi, 2010) (Aburime, 2005).

Capital Adequacy

The major intention of holding capital is to build the internal strength of the bank to withstand losses during crises (Dang, 2011). Capital also affects performance by creating liquidity; hence, banks with a strong capital position are able to reduce their financing costs (Diamond, 2000).

Asset quality

The asset side of a bank's balance sheet is another bank-specific variable that indicates the status of the bank. Even if the total package of the bank's assets consists of various asset components such as cash and deposits, with banks including reserves at the NBE, loans, investments, fixed assets, etc., there seems to be an agreement to focus on the quality of the loan portfolio. More often than not, bank loans are the major asset that generates the majority of the bank's income (Dang, 2011).

Liquidity

Liquidity indicates the ability of a bank to meet its financial obligations in a timely and effective manner. According to Samad (2004), the most common financial ratios that reflect the liquidity position of a bank are total assets and total loan to customer deposits.

2.2.3.2 External determinants

The external determinates of a bank's state of performance represents events outside the influence of the bank (Al-Tamimi, 2010; Aburime, 2005).

Bank size

Bank size, as measured by total deposits (Civelic and Al-Alami, 1991) or assets (Smirlock, 1985), is one of the control variables used in analyzing the state of the bank system. This included controlling for the possibility that large banks are likely to have greater product and loan diversification.

Inflation

The effect of inflation is also another important determinant of banking performance. In general, high inflation rates are associated with high loan interest rates and, thus, high income. Perry (1992) asserts that the effect of inflation on banking performance depends on whether inflation is anticipated or unanticipated.

2.2.4 Theoretical Framework

The Theory of Reasoned Action (TRA)

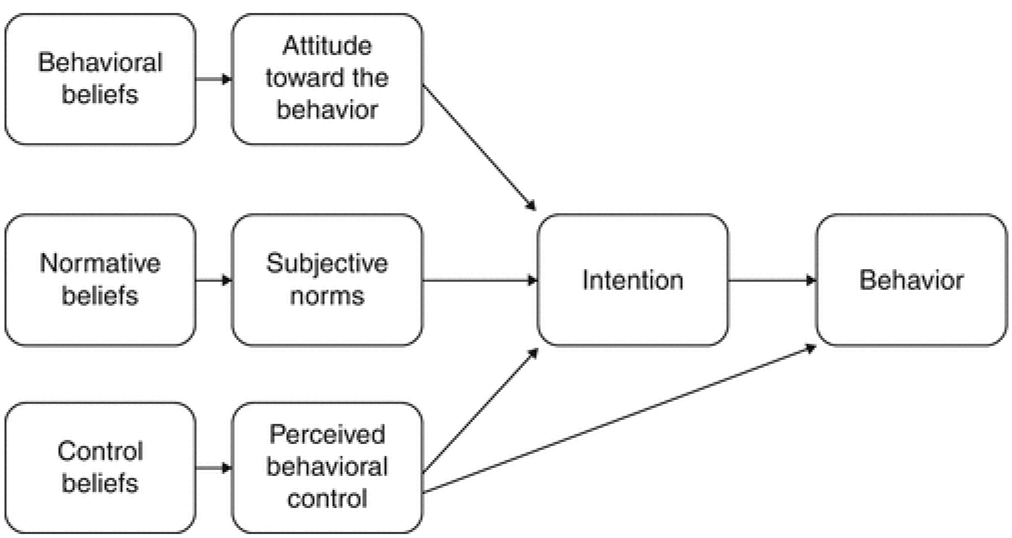
The Theory of Reasoned Action (TRA) was developed in 1967 and was later revised and expanded in the mid-1970s by Ajzen and Fishbein. Ajzen & Fishbein (1980) and Davis (1995) proposed that a person's actual behavior can be determined by looking at his formal intention together with the beliefs that the person would have for the given behavior. The intention that a person has before the actual behavior is referred to as the behavioral intention of a person and this could be defined as a measure of one's intention to perform the behavior. The Theory of Reasoned Action suggests that a personal behavioral intention could be determined by his attitude towards the actual behavior together with the subjective norm that is associated with the behavior.

According to The Theory of Reasoned Action (TRA), beliefs influence attitudes and social norms, which in turn shape a behavioral intention guiding or even dictating an individual's behavior (Ajzen & Fishbein, 1980). Intention is the cognitive representation of a person's readiness to perform a given behavior, and it is the immediate antecedent of behavior. TRA has two core constructs: (1) attitude towards behavior (ATB) and (2) subjective norms (SN) associated with that behavior.

The attitude towards the behavior (ATB) is the previous attitude of a person towards performing that behavior. It suggests that people think about their decisions and the possible outcomes of their actions before making any decision to be involved or not involved in each behavior. This theory views the intention of an individual to perform a given behavior or not as the immediate determinant of action, and attitude is determined by the person's beliefs and evaluation of behavioral outcomes. So, an individual who strongly believes that positive outcomes will result from performing a behavior will have positive attitudes towards that behavior. On the other hand, if a person strongly believes that a behavior will have a negative outcome, then there will be negative attitudes towards that behavior.

Subjective norm (SN) is the social pressure exerted on the person or the decision-maker to perform the behavior. SN refers to an individual's perception of what other people think of his or her behavior in question (Ajzen & Fishbein, 1980). What other individuals or groups will think, agree, or disagree about the decision of a person to perform a given behavior and how important these other individuals or groups are to the decision-maker play a vital role. So, it is normal that sometimes people will consult others before making any decisions.

Figure 2.1 The theory of reasoned action (TRA)



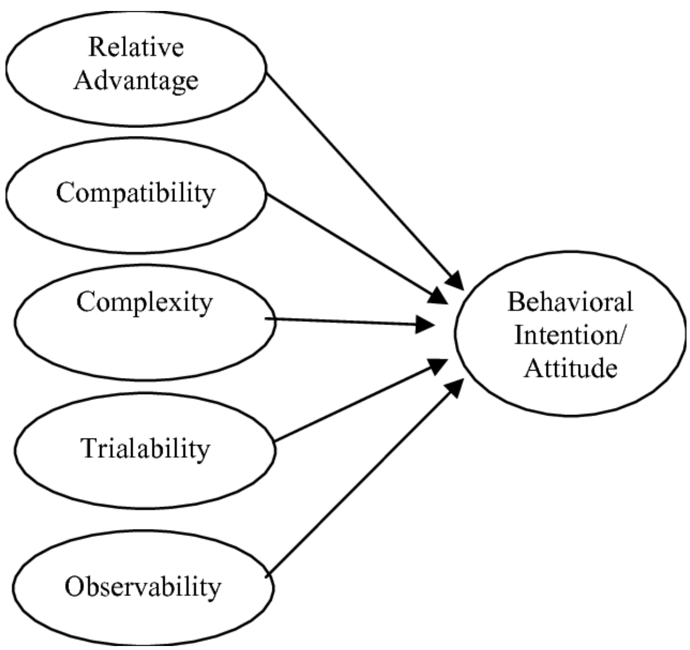
Source: Ajzen & Fishbein, (1980)

Theory of Innovation Diffusion (TID)

Rogers (2003) explained that the diffusion of innovation is the process by which an innovation is communicated through certain channels over time among members of a social system. It is important to examine why some innovations are successful while others never become widely accepted. The model originally consists of five dimensions, namely compatibility, relative advantage, complexity, trialability, behavior, and self-efficacy. Social Influence, Attitude, and Behavioral Intentions Electronic copies are available and observable. Researchers have adapted these dimensions, and, in some contexts, the original dimensions are replaced with more relevant phenomena.

Rogers does caution; getting a new idea adopted, even when it has obvious advantages, is difficult, so the availability of all these variables of innovation speeds up the innovation-diffusion process.

Figure 2.2 Theory of Innovation Diffusion (TID)

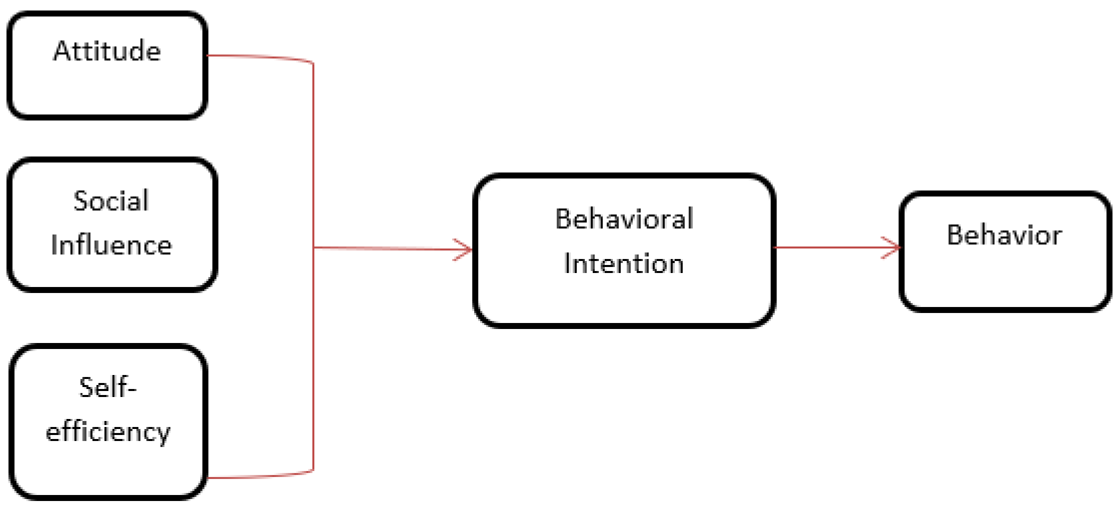


Source: Rogers, (2003)

ASE Model (ASE)

The ASE model is a combination of Fishben and Ajzen's (1975) Theory of Reasoned Action and Bandura's (1986) Social Cognitive Theory. This theory describes how to predict volitional behavior. This model is comparable to the Theory of Planned Behavior (Ajzen & Madden, 1986). According to this theory, there are three factors that influence intention and behavior, namely attitude, social influence, and self-efficacy. Behavior is determined by intentions, and intentions are shaped by attitude, social influence, and self-efficacy.

Figure 2.3 ASE Model (ASE)



Source: Fishben and Ajzen's, (1975)

Theory of Planned Behavior (TPB)

The theory of planned behavior (TPB) is an extension of the TRA, which adds a construct that integrates the difficulty or ease of performing a behavior. Perceived behavioral control (PBC) emerged as a strong predictor of intention, outperforming attitudes and subjective norms. Ajzen (1991) reasoned his extension to the TRA as to "the TRA's limitations in dealing with behaviors over which people have incomplete control". Based on a review of a set of studies that were related to the TPB, Ajzen came to the conclusion that the new construct provided a significant improvement when compared with the TRA. As a general theory, TPB does not specify the particular beliefs that are associated with any particular behavior, so determining those beliefs is left to the researcher's preference.

The study by Echchabi and Aziz (2012b) was more comprehensive and based on the decomposed theory of planed behavior (DTPB). The findings revealed that uncertainty, relative advantage, compatibility, social influence, and awareness have a significant impact on the adoption of IFB services.

Uncertainty

Uncertainty is an important obstacle to the adoption of innovations. An innovation's consequences may create uncertainty: Consequences are the changes that occur in an individual or a social system as a result of the adoption or rejection of an innovation. To reduce the uncertainty of adopting the innovation, individuals should be informed about its advantages and disadvantages to make them aware of all its consequences. Moreover, Rogers claimed that consequences can be classified as desirable versus undesirable (functional or dysfunctional), direct versus indirect (immediate result or result of the immediate result) and anticipated versus unanticipated (recognized and intended or not).

Social Influence

Social influence is defined by Sayid, Echchabi, and Aziz (2012) as the degree to which an individual's decision is influenced by their social environment. It generally refers to a number of referent groups, such as family, work colleagues, the media, and just a few others. Social influence is the social pressure exerted to participate or not. It means that a person's perception of the most important people to him or her determines whether the person should or should not perform the behavior and his or her motivation to comply with the specific referents (Ajzen et al., 1980). There are more chances to act or behave in a certain way if it is socially acceptable. In the present case, adopting a family Takaful will be easier if there is a positive social response to adopting it. Social influence has been found to be the prime factor influencing the adoption of financial services (Sayid et al., 2012; Dass and Pal, 2011). Hamza and Shah (2014) found social influence to be one of the factors with a positive influence on the adoption of financial services (Yan et al., 2009; Mbele-

Sibotshiwe, 2013; Bhatti, 2007). The construct has been used in other studies with the same meaning as subjective norms, normative pressure, and image (Venkatesh and Davis 2000).

Relative Advantage

Rogers (2003) defined relative advantage as the degree to which an innovation is perceived as being better than the idea it supersedes. The cost and social status motivation aspects of innovations are elements of relative advantage. For instance, while innovators, early adopters, and the early majority are more status-motivated for adopting innovations, the late majority and laggards perceive status as less significant. Moreover, Rogers categorised innovations into two types: preventive and incremental (non-preventive) innovations. A preventive innovation is a new idea that an individual adopts now in order to lower the probability of some unwanted future event (Rogers, 2003). Preventive innovations usually have a slow rate of adoption, so their relative advantage is highly uncertain. However, incremental innovations provide beneficial outcomes in a short period of time. The positive relationship between the relative advantage of an innovation and its rate of adoption was generally advocated by Rogers (2003) and in more specific terms, quite an array of studies of innovation adoption and usage in different contexts confirmed the importance of the factor “relative advantage”. Different groups of scholars in numerous adoption of innovation, product, or service research studies argued that relative advantage as a perceived attribute of innovation is one of the most extraordinary predictors regarding the adoption rate of innovations (Tan and Teo, 2000; Lu et al., 2011; Brown et al., 2000; Tung and Rieck, 2005; Hsu et al., 2007). However, a study by Duan et al. (2010) proved that relative advantage does not have any significant effect on the adoption of e-learning among Chinese students.

Compatibility

In some diffusion research, relative advantage and compatibility were viewed as similar, although they are conceptually different. Rogers (2003) stated that compatibility is the degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters. If an innovation is compatible with an individual's needs, then uncertainty will decrease and the rate of adoption of the innovation will increase. Thus, even naming the innovation is an important part of compatibility. What the innovation is called should be meaningful to the potential adopter. What innovation means should also be clear. It is generally expected that the more compatible an innovation with individual needs, habits, beliefs, and values, the more likely they are to adopt it (Rogers, 2003). Many studies have reported the relationship between compatibility and adoption of products and services. Among them, the study conducted by Agarwal & Prasad (1997), Echchabi & Aziz (2012), and Thambiah et al. (2010) revealed a positive relationship between compatibility and adoption.

Awareness

The first stage of adoption of any product or service is awareness. Awareness refers to the extent to which the individual is aware of the existence of the innovation (product or service) and, at the same time, the extent of his or her knowledge of its preliminary features (Rogers, 1963, 2003). It is therefore inconceivable for the implementation of any product to occur without the individual first becoming aware of that product. Hence, awareness is indispensable in the adoption process. In fact, awareness is the foundation of usage of Islamic banking products and services, as it paves the way for arousing customers' curiosity about Islamic banking and consequently leads to the adoption of the products and services. Without awareness, there would be no initiative from the customer to use the products and services of an Islamic bank. Lai (1991 identified awareness as a strong factor that guided customers' assessments towards the acceptance or rejection of a particular product. According to Kotler and Amstrong (2001), creating awareness among customers about the product or service remained a key factor in its adoption.

2.3 Empirical Reviews

2.3.1 Islamic banking in Ethiopia

Ethiopia is a country with a substantial number of Muslim populations. According to the Central Statistics Authority of Ethiopia Census 2007 (CSA, 2007), Muslims account for 34% of the total population of Ethiopia. Ethiopia is a country with very high bank service penetration. The Global Findex Database 2017 states that only 34.8% of adults aged more than 15 years have a bank account (Demirgüç-Kunt et al., 2018). The unavailability of alternative sharia-compliant financial products and services in Ethiopia played a significant role in inducing financial exclusion, which in turn resulted in law bank usage in Ethiopia (Hailu, Kapusuzoglu, & Ceylan, 2019).

There was no legal framework that permitted the establishment of Islamic finance in Ethiopia before 2008. In 2007, the Ethiopian Muslim Diaspora community requested Ethiopian government permission to establish Islamic banking in Ethiopia (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 benefits and importance of Islamic finance to the government. Based on these requests, the National Bank of Ethiopia (NBE) issued a new proclamation, No. 592/2008, that permitted the establishment of interest-free finance in Ethiopia (Al-Hashimi, 2012). The Proclamation states that “The National Bank may issue a directive to regulate banking businesses related to non-interest-bearing deposit mobilisation and fund utilization." This was the first practical measure taken by the NBE to adopt the practice of Islamic finance in Ethiopia.

Based on Proclamation No. 592/2008, all conventional banks in Ethiopia started to accept interest-free deposits from customers who were interested in interest-free banking services. A substantial amount of money is deposited in all conventional banks, with the depositor aiming for no more than a safeguard. Currently, of the 18 conventional banks, 10 are providing IFB service through the window and On the other hand, Zamzam Bank organisers 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 as the minimum paid-up capital, within four months from more than 6800 subscribers (Zam-zam Bank Under Formation, 2012).

In 2011, NBE issued a new directive, SBB/51/2011, which authorizes the business of IFB. According to this directive, only established conventional banks can offer interest-free banking merely on window modes. Further, the proclamation defines an interest-free banking window as a unit within a conventional bank exclusively offering interest-free banking services. 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 offer interest-free banking.

After 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 with proclamation No. 1159/2019 to approve the amendment of the banking business proclamation. In this proclamation, article 59 is devoted to "interest-free banks," and sub-article 1 states that, "Without prejudice to the requirements 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 an interest-free bank. "For this sub-article, an interest-free bank means a company licensed by the National Bank to undertake only interest-free banking business".

According to Muhammad et al. (2019), "Islamic banks have received a warm welcome after the 2009 financial crisis; the Islamic banks have been selected as an alternative to the conventional banks." Their study revealed that the performance of Islamic banks is better than that of conventional banks. However, it highlighted certain issues such as fatwa shopping, lack of Islamic banking experts, use of conventional products, Shari'ah auditing, conventional pricing benchmarks, shaky risk sharing mechanisms, and the use of conventional banking's regulatory system.

Butt et al. (2018) examined the causes of the low penetration of Shari'ah-compliant banking and showed that the customers of both banking systems do not perceive Islamic banking as interest-free. Latif et al. (2016) studied the customers' perceptions of Islamic banking. They showed that customers' perceptions are vital for the overall growth and future success of the IBIs in Pakistan. They concluded that religious awareness, awareness about Islamic banking products, their underlying structure, bases of services, branch network, and modes of advertising all have a significant influence on the overall perception of customers.

Hassan Obeid and Souheila Kaabachi (2016) tried to describe the key factors affecting traditional bank customers' acceptance of Islamic banking in Tunisia. According to the results of this study, religious interest, customer awareness of Islamic banks, the relative benefit of Islamic banking, and its compatibility with market values, lifestyles, and financial sector habits are the determinants of its acceptance.

Mahiswaran et al. (2018), in their research, the objective was to identify the factors affecting consumers' choice of Islamic banks. The data, which was collected from the Selangor area, was based on a questionnaire. The study shows that bank reliability, religious, and cost-benefit factors are relevant factors that affect the choice of customers for Islamic banking. When choosing Islamic banking, bank credibility and cost advantages have a good relationship. Convenience is not so important in the decision to choose Islamic banking but religion has a negative relationship with choosing Islamic banking.

The study by Gerrard and Cunningham (1997) stressed the significance of customer awareness, product knowledge, and informative advertising campaigns on the acceptance of Islamic banking. Dusuki and Abdullah (2007) equally posited the need to create awareness, which enhances product knowledge and improves promotional campaigns. Bley and Kuehn (2004) argued that knowledge of Islamic banking will combat growing competition from conventional banking.

Blasig (2017) conducted a comparative study about Islamic banking and conventional banking by adopting five major financial ratios like profitability, efficiency, liquidity, solvency, and credit risk. The study indicated that conventional banks outperform Islamic banks in respect of most performance measurement dimensions, though Islamic banks are more liquid and perform better in efficiency ratios.

Abate (2016) assessed the Ethiopian interest-free banking regulation in light of global Islamic finance standards and concluded that using as a legal framework the existing single and sketchy proclamation No. SBB/51/2011 to govern interest-free banking services will be a challenge. He recommended that NBE develop a comprehensive directive for the smooth application of an interest-free banking system.

Sefiani (2014) states that the absence of a suitable legal framework, the lack of skilled Islamic banking experts and inadequate awareness about Islamic finance products are the challenges of interest-free banking practice in Ethiopia. Sefiani recommended the NBE revise Proclamation No. SBB/51/2011 in order to resolve legal problems affecting interest-free banks, such as participation in non-banking businesses, value-added tax on merchandise, and double taxation.

Suadiq (2021) investigated whether high public demand, adequate capital for the establishment, the availability of substantial customers, easy deposit mobilisation, and profitability are the foremost opportunities for Islamic finance in Ethiopia. Whereas, negative perceptions about Islamic finance, legal framework challenges such as restriction of investment and double taxation, and a lack of skilled human resources are the main potential hindrances for the sector.

Debebe (2015) concerned his study with examining the willingness of Ethiopian customers to use interest-free banking and the factors that may influence their decision, because customers are the ultimate users of the products to be adopted. The results showed that perceived relative advantage, perceived compatibility, customers' level of awareness and subjective norm have a significant positive impact on the attitude towards interest-free banking in commercial banks in Ethiopia. He recommended that the interest-free bank should be aware of the prospective customer's level of perception of the product, which should subsequently allow them to formulate and develop policies and regulations to make an adjustment to the interest-free banking industry in Ethiopia and to establish the necessary strategies to attract customers and retain existing customers.

Kedir (2019) examined the level of awareness, understanding, and perceptions of Wegagen customers towards interest-free banking products and services. In addition, it tries to investigate if any demographic factors influence the awareness, understanding, and perceptions of interest-free banking products and services among Wegagen Bank customers. He recommended that the bank should promote that the product is available for both Muslim and non-Muslim customers to increase the understanding of Muslim customers; the bank should exert its maximum effort in segregating the IFB business from the conventional business; the service delivery for IFB products the bank delivers should be right and do the business in compliance with the religion principle as well as the NBE directives.

Debebe (2021) assessed the customer's awareness and satisfaction towards interest-free banking and its role in Ethiopia's economic development with some selected commercial banks in Ethiopia. He stated that despite the low customer awareness regarding IFB services, except for the IFB customers, the majority of them are more or less satisfied with the current IFB services provided since they can potentially serve as an alternative banking channel in filling the gap left unaddressed by conventional banking, and as IFB, it has its own role in the country's economic development through mobilizing the idle monitoring resource, allocating the monitoring resource, creating employment opportunities, and inviting people to the banking system. Debebe recommended that the banks make aggressive promotions for customers out of Muslim customers; the government has to support and should give more emphasis to enabling interest-free banking and promoting interest-free banking, which can help assist the economy in stabilizing the economic crisis and arresting inflation.

Assen (2020) identified potential determinant factors affecting customers' acceptance of interest-free banking in Ethiopia by considering five independent variables: perceived relative advantage, perceived compatibility, perceived complexity, trust, and attitude towards the use of Islamic branding. His result identified that all determinant factors have a positive correlation with the predicted variable. A linear combination of all the independent variables considered in the study predicts the variance in the dependent variable, acceptance. However, perceived compatibility does not have any significant influence on acceptance of interest-free banking in Ethiopia and attitudes towards using Islamic branding have a negative influence.

2.4 Research Gap

The previously conducted studies mainly focused on identifying challenges and opportunities for IFB and measuring its performance. These studies were conducted on the side banks. There were few studies that addressed the reasons for customers to use the IFB services and IFB adoption factors. The existing studies were conducted before full-fledged IFB banks started operation. In addition to this, the target populations of the researchers were mostly in the case of the Commercial Bank of Ethiopia, even if Oromia Bank is a pioneer in starting the IFB operation. Therefore, conceptual gaps remain unsolved on the need to have a detailed assessment of IFB in relation to the adoption of its practice in terms of customers' perceptions. This study believes that it is important to simultaneously identify Oromia Bank S.C.

2. 5 Conceptual Framework

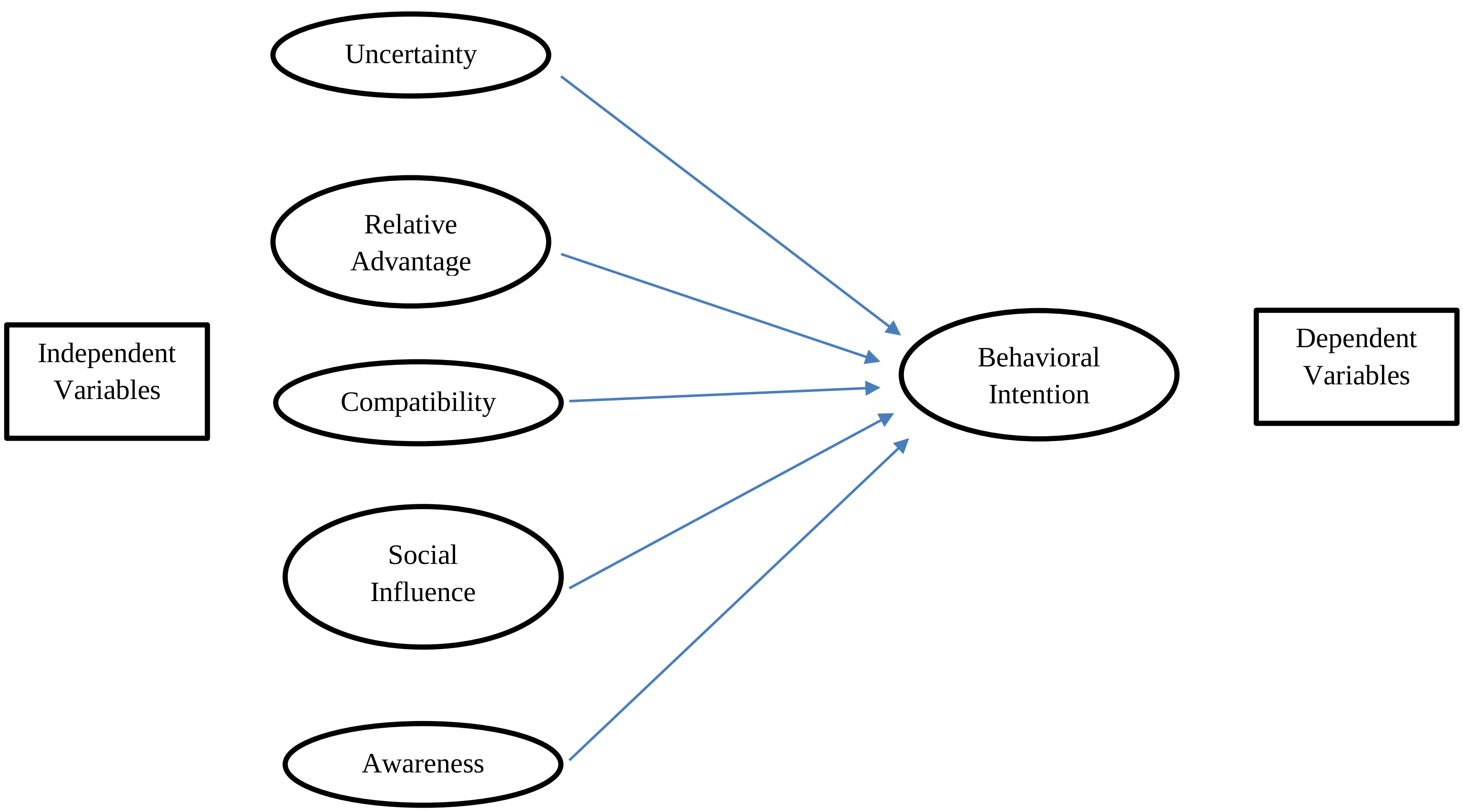


Figure 2.4 Conceptual Framework

CHAPTER THREE
RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

This chapter presents the research methodology and design adopted by this study. It presents the research methodology, design, and methods of the study. The research method presents information about data collection methods, population and sampling techniques, data analysis and evaluation, and the validity and reliability of instruments.

3.2 Research Methodology

According to Creswell (2007), the three methods that are commonly implemented in research are quantitative, qualitative, and mixed, where one of them is not better than the others. All of this depends on how the researcher wants to do a study. Based on the objectives of the study, the quantitative research method were used. The quantitative method follows a systematic and scientific investigation of quantitative properties and phenomena and their relationships by using statistical tools and numbers (Kothari, 2005). The quantitative data were generated by using a semi-structured questionnaire to examine the perceptions of IFB customers on its products, the factors that influence customers' patronization behavior, and their opinion on the future prospects of IFB practice at Oromia Bank. Data collected through the questionnaire were coded and numeric values were generated. Therefore, in terms of approach, this study employs a mixed research approach while conducting the study. The study uses a quantitative survey and a qualitative, open-ended questionnaire to achieve the stated research objectives.

3.3 Research Design

According to Williman (2006), a research design refers to the framework into which the fits depend on the theory and nature of the research problem. There are three research designs: quantitative, qualitative, and mixed (Creswell, 2009). Mixed-methods research is an approach to inquiry that combines or associates both qualitative and quantitative forms. It involves philosophical assumptions, the use of qualitative and quantitative approaches, and the mixing of both approaches in a study. (Creswell, 2009). Since the purpose of this study is to examine customers' perceptions of IFB products and factors that influence their patronization behavior, as well as review the current state of IFB practice in OB, mixed-methods research was more appropriate for this study.

R. Kumar (2011) stated that types of research can be looked at from three different perspectives: application of the findings of the research study, objectives of the study, and mode of inquiry used in conducting the study. If the research study is from the perspective of its objective, a research endeavor can be classified as descriptive (describes what is prevalent with respect to the issue or problem under study), correlation (examines whether there is a relationship between two or more aspects of a situation or phenomenon), explanatory (clarifies why and how there is a relationship between two aspects of a situation or phenomenon), or exploratory (undertaken with the objective either to explore an area where little is known or to investigate the possibilities of undertaking a particular research study) (*Ibid*). The research purpose indicates that this study is both exploratory and descriptive in nature.

3.4 Data Source

This study relies on both primary and secondary data sources. The primary data sources were IFB account holders of selected OB branches in Addis Ababa. Furthermore, secondary data were based on reports gathered from the OB IFB department, books, journals, articles, various postgraduate studies, the web, particularly Google Scholar and PDF Drive, and NBE reports.

3.5 Study Area

The banking sector and its customers were the focal areas of the research. The target population was comprised of IFB account holders of Oromia Bank in Addis Ababa, Ethiopia.

Oromia Bank S.C. is one of the most influential and popular private banks in Ethiopia and is also known for pioneering interest-free banking services. The then-Oromia International

Bank S.C. (OIB), now Oromia Bank S.C. (OB), was established in accordance with the pertinent laws, regulations, and the 1960 commercial code of Ethiopia by the monetary and banking proclamation No. 83/1994 and by the licensing and supervision of banking proclamation No. 592/2008. OB is a pioneer in implementing IFB service in Ethiopia with the objective of scaling up the service; the bank has opened IFB-dedicated branches, which have gone operational across the country. The bank offers a wide range of deposit, financing, and various banking products and services. As of June 2022, the bank is providing window-based, sharia-compliant, and full-fledged IFB services at all 400 branches, of which 46 are full-fledged IFB branches.

3.6 Target Population

Since customers are the main stockholders for whom the IFB service is to be implemented, the primary target population is the IFB account holders of OB. The bank's districts are divided into two: city districts and outlying districts. The number of districts in both the city districts and outlying districts is four in each of them. To make the research manageable, city districts of the bank were considered in this study, which has 195 branches in its domain. Those four districts in the city district have full-fledged IFB branches and conventional branches that provide window based IFB service. Since this study aims to review the current state of the IFB practice of OB as well as examine the perceptions of the IFB customers of OB on its products and the factors that influence their patronization behavior, the target populations were the entire IFB customers of OB in Addis Ababa.

3.7 Sampling Methods and Sample Size Determination

3.7.1 Sampling Methods

Sampling is the process of selecting a few (a sample) from a larger group (the sample population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation, or outcome regarding the larger group (R. Kumar, 2011). There are different ways to choose a sample, and the methods used will depend on the area of the research, the research methodology, and the research preference. Basically, there are two main types of sampling: probability sampling and purposeful sampling. In probability sampling, all people within the research population have a specifiable chance of being selected, whereas purposive sampling is used if description rather than generalization is the goal (Dawson, 2002).

This study uses both probability and Non-probability sampling techniques to reach the specific respondents. The bank, the districts, the number of sample branches and the number of samples IFB customers in each district were selected based on the Non-probability sampling technique. The bank branch size was selected based on the probability sampling technique of simple random sampling.

3.7.2 Sample Size Determination

A) Branch Sample Size

A method developed by Carvalho (1984) will be used in order to determine the branch sample size. The researcher uses OB's annual report for June 30, 2022. So, the total branches in city districts that have IFB full-fledged and IFB windows reached 195 branches.

Table 3.0-1 Sample Size determinations

N	51-90	91-150	151-280	281-500	501-1200	1201-3200	3201-10,000	10,001-35,000	35,001-150,000
Small	5	8	13	20	35	50	80	125	200
Medium	13	20	32	50	80	125	200	315	500
Large	20	32	50	80	125	200	315	500	800

Source: Carvalho (1984)

Therefore, based on the Carvalho (1984) sample size determination method, the researcher has selected a medium sample size, which is 32 branches of OB in Addis Ababa city out of the total bank branches of 195. To increase the accuracy of the data, the medium sample size is considered rather than the smaller. Moreover, a medium sample size is more economical than a larger sample size because it saves both time and money for the researcher.

Since the number of branches in each cluster is not the same, the researcher uses proportional computation to determine the size of each cluster, which determines the number of branches from each district. The population of each district's branch in relation to the total number of branches has been considered. Thus, the numbers of branches from the respective districts have been computed as follows:

Table 3.0-2 Number of samples IFB offering branches from each city district

No.	**Name of City Branches**	**No. of Branches (N) in each districts**	**Proportion (in percentage)**	**No. of Sample Branches (n) in each district**
1	West Finfinne District	55	28%	10
2	East Finfinne District	47	24%	7
3	North Finfinne District	51	26%	9
4	South Finfinne District	42	22%	6
Total		**195**	**100%**	**32**

Source: Own computation from OB – web page dated June/2022

After determining the appropriate number of sample branches from each district, a systematic random sampling method was used, and 32 branches were selected with the minimum number of customers given priority to collect data from respondents. For example, to select 10 branches from West Finfinne district, branches were arranged alphabetically, and every 5 branches were selected until the full sample size of 10 branches was selected from the cluster.

B) Customer Sample Size

A sample is a true representative of the entire population to be studied (King'oriah, 2004; Leary, 2001). Kothari (2004) described sample size as the number of items to be selected from the universe to constitute a sample. There are several options to determine a sample size, including a census, imitating the sample size of similar studies, using a published table, and applying an existing formula. According to Krejcie and Morgan (1970), for a population greater than 1,000,000 and a confidence level of 95%, the sample size should be 384. According to Hair et al. (1998), a sample size between 200 and 400 is usually acceptable as a critical sample size for attitude studies.

As Kothari (2004), for finite population the sample formula for calculating minimum sample size

$$n = \frac{z^2 * p(1-p) * N}{e^2(N-1) + z^2 * p * q}$$

Where, n is the sample size
N is the total population size
p is estimated variability in the population
z is standard error associated with chosen level confidence
q is (1-p)

The size of IFB accountholder customers is determined in accordance with the following assumption:

Proportion (p) = 50% that is the safest possible, confidence level of 95% which corresponds to Z-value of 1.96 and an error term or precision (e) of 5% and N is 828,481 from 400 OB branches. Given the above assumption, the sample size will be estimated by

$$n = \frac{z^2 * p(1-p) * N}{e^2(N-1) + z^2 * p * q}$$

$$= \frac{1.96^2 * 0.5(1-0.5) * 828{,}481}{0.05^2(828{,}481-1) + 1.96^2 * 0.5 * 0.5}$$

$$= \underline{384}$$

Therefore, the minimum sample size for this research should be 384. Moreover, the number of customers in each district is different; the researcher uses proportion computation in order to get the number of respondents from respective district, as shown below;

Table 3.0-3 Number of sample IFB customers from each city districts

No.	Name of City District	No. of customers (N) in each district	Proportion in percentage	No. of sample customer (n) in each district	No. of sample branch in each district	No. of sample customers from each selected branches
1	West Finfinne D.	480,519	58%	226	19	12
2	East Finfinne D.	107,703	13%	43	4	10
3	North Finfinne D.	157,411	19%	75	6	13
4	South Finfinne D.	82,848	10%	40	3	13
	Total	**828,481**	**100%**	**384**	**32**	

Source: Own computation from bank's report as of June 30, 2022

The convenience sampling method has been used to collect the data from a sample of 384 respondents. Convenience sampling is a non-probability sampling technique for collecting samples by taking samples that are conveniently located. Thus, in the selected branches, questionnaires were distributed to IFB customers on a walk-in basis, i.e., a questionnaire has been given to an IFB customer who just arrived to get the service until the expected number of samples from the selected branch has been satisfied.

Table 3.0-4 Sampling unit, sampling technique and sample size determination

Sampling Unit	Sample size determination	Sampling Technique
Oromia Bank		Purposive
Addis Ababa City		Purposive
Bank Districts		Quota Sampling
Bank Branch Size	Carvalho	Simple Random Sampling
IFB accountholders	$n = \frac{z^2*p(1-p)*N}{e^2(N-1)+z^2*p*q}$	Convenience Sampling

To wind up, for the purpose of the study the researcher uses multi-stage sampling technique and 384 number of IFB accountholders for questionnaire.

3.8 Data Collection Method

This study would use both primary and secondary data sources to obtain data. The researcher collects primary data through a semi-structured questionnaire. The questionnaires involve semi-structured questions to collect data from IFB account holders of OB. The questionnaires for the customers were initially prepared in English but were subsequently translated to Amharic and Afaan Oromo languages in order to make it easier for respondents and employees of OB who were helping me fill out the questionnaire properly. In addition, data has also been collected from reports of the OB IFB department, books, journals, articles, various postgraduate studies, the web, particularly Google Scholar and PDF drives, and NBE reports.

3.9 Analysis and evaluation of Data

Data collected from primary and secondary sources has been analyzed using exploratory factor analysis. This study was guided by research questions that mainly focused on analyzing factors affecting the adoption of IFB at Oromia Bank S.C. For this purpose, although the study mainly focuses on the linear regression method, descriptions have been provided based on the results of descriptive statistics. First, this study intends to assess factors affecting the adoption of IFB. In addition to this, the current state of IFB practice both in the customer stream and the bank stream has been reviewed. Moreover, customer opinion regarding the future prospect of the IFB practice reaching a better level was identified. The study used data collection through a semi-structured questionnaire and a term report from the bank. These data were analyzed using exploratory factor analysis (EFA) in order to identify the underlying structure of the variables involved. The data were run using the structure-equation model (SEM). SEM is a statistical methodology that takes a confirmatory approach to the analysis of a structural theory based on some phenomenon (Byrne, 2001).

To establish the relationship between the independent variables and the dependent variables of the study, multiple-leaner regression analysis was involved. The choice of this was inspired by Hair, Black, Babin, and Anderson (2010), as well as from similar studies conducted in this area. It is worth mentioning that the analysis was done through IBM SPSS.

3.10 Model Specification

The following models are formulated for this research in order to test the research hypothesis.

BI = f (UNC, RAD, CPT, SIF, AWR,)

$$BI = \beta_0 + \beta_1 UNC + \beta_2 RAD + \beta_3 CPT + \beta_4 SIF + \beta_5 AWR + \varepsilon$$

Where; BI is representation of IFB customers' behavioral intention which is the dependent variable;

UNC, RAD, CPT, SIF and AWR represent the independent variables that affect the adoption of IFB and current state of IFB practice. (UNC – Uncertainty, RAD – Relative Advantage, CPT – Compatibility, SIF – Social Influence, AWR – Awareness,); and ε is error term. Moreover, β_0 = constant, β_{1-5} = slope coefficients.

3.11 Validity

Bryman & Bell (2007) defined validity as how much any measuring instrument measures what it is intended to measure. They also suggest that the important issue of measurement validity relates to whether measures of concepts really measure the concept or not. There are several ways of establishing validity, such as content validity, concurrent convergent validity, predictive validity, construct validity, and convergent validity. This study addressed content validity through the review of literature, adapting instruments, and checking the validity of the instruments through convergent validity.

3.12 Reliability

Nunnaly (1978) stated that reliability is the consistency of a test, survey, observation, or another measuring device. The level of reliability of the instrument indicates the consistency of the variables. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the underlying construct and it can only be measured for variables that have more than one measurement question. 0.5 is a sufficient value, while 0.7 is a more reasonable value. In this study, reliability analysis is carried out on each item of dependent and independent variables by making use of 50 pilot survey samples.

The reliability values in Table 1.5 are above 0.7. Hence, the survey constructs are reliable and indicate considerable internal consistency among the respondents. The table below shows the reliability statistics as computed by the SPSS software.

Table 3.0-5 Cronbach's Alpha result

Constructs	No. of items	Cronbach's Alpha
Behavioral Intention	4	0.867
Uncertainty	5	0.899
Relative Advantage	5	0.779
Compatibility	4	0.884
Social Influence	4	0.895
Awareness	5	0.778
Overall scale reliability	27	

Source: Output of SPSS, April 2023

3.13 Expected Results and Output of the Study

This study expected the growth of IFB service within Oromia Bank S.C. Adoption of IFB was affected by customer-specific and bank-specific factors. Conformance to the needs of customers were the main factor in the adoption of IFB. Accessibility of the service was the most important bank-specific factor for deposit mobilization and customer recruitment. Further, IFB have an important contribution to the financial performance of the bank.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

Under this chapter data that were collected from the actual questionnaire survey and the bank's interim reports were analyzed, presented and interpreted. The collected data from the customers of Oromia bank and the bank's report were analyzed to give accurate answers for the research questions and hypotheses proposed. Through the questionnaires that have been collected, reliability test was conducted, and then generate all results by using IBM SPSS.

4.1 Sample and Response Rate

The sample size of the study was 384; however, for contingency purposes, 420 questionnaires were distributed to the customers of Oromia Bank, and 394 were returned. While checking the returned questionnaires, 371 questionnaires, which are 96.6% of the sample size, were found to be appropriate. Moreover, 32 questionnaire responses with critical values above 71.5 Mahalnobis Distance (MD) were considered outliers and excluded from further analysis. Therefore, 339 questionnaires, which are 88.3% of the sample size, were found to be valid for further statistical analysis.

4.2 Demographic Characteristics of Respondents

The personal profile of respondents is analyzed as per their gender, age, religion, educational level, employment status, and level of income. Descriptive statistics were performed on demographic variables as a means of describing the respondents. In the following section, a detailed description of the demographic features and characteristics of the respondents has been given.

Table 4-0-1 Demographic characteristics of respondents

Demographic Characteristics		Frequency	Percent
Gender	Male	231	68.1%
	Female	108	31.9%
	Total	339	100%
Age	18-25	79	23.3%
	26-35	161	47.5%
	36-45	65	19.2%
	Above 46	34	10%
	Total	339	100%
Religion	Muslim	274	80.8%
	Non-Muslim	65	19.2%
	Total	339	100%
Educational Level	Read and write	14	4.1%
	Primary education	55	16.2%
	High school	81	23.9%
	Diploma/TVET	76	22.4%
	Bachelor's Degree and above	104	30.7%
	None	9	2.7%
	Total	339	100%
Employment Status	Public Sector	36	10.6%
	Private Sector	132	38.9%
	Self-employed	133	39.2%
	No job	33	9.7%
	Retired	5	1.5%
	Total	339	100%
Income Level	Below 5,000.00	130	38.3
	5,001.00-10,000.00	57	16.8
	Above 10,001.00	152	44.8
	Total	339	100%

Source: Own computation from primary data, April 2023

As the above table 4.1 indicates, from the total valid responses, male customers of the bank constitute 68.1% out of the total respondents, while female respondents constitute 31.9%. The majority of the respondents (47.5%) lie in the age group of 26–35, followed by 18–25, which comprises 23.3% of the valid respondents. Most of the respondents' faith belongs to the Muslim religion, which is 80.8%, whereas the rest, 19.2% of the respondents, are non-Muslims. Referring to the previous similar studies, almost all respondents were Muslims. Unfortunately, in this study, even if the percentage share is lower, there are interest-free banking account holders who are not followers of the Muslim faith. This implies that the awareness and use of IFB products and services among non-Muslims have shown improvement. The survey result shows that 30.7% of the respondents have a 1st degree or higher, followed by high school and diploma/TVET holders, i.e., 23.9% and 22.4%, respectively. The study also shows that 39.2% of respondents are self-employed, with a little difference from the account holders who are employed in the private sector, which was 38.9% of the total respondents. With regard to monthly income, 44.8% of the respondents have an income level above Birr 10,000.00 and individuals with a monthly income below Birr 5,000.00 constitute 38.3% of the total valid respondents. Table 4.1 summarizes the demographic characteristics of the respondents.

4.3 Current State of IFB Practice

To identify the current state of IFB practice at Oromia Bank, it’s better to analyze two streams, i.e., the customer's state of using the practice of IFB and, on the other hand, the bank’s state of delivering the IFB products and services. Data collected from primary sources identified the current state of customers’ use of IFB products and services. Whereas, secondary data, i.e., different journals and annual reports of the bank, is used as an input to analyze the trend and current state of IFB practice at Oromia Bank.

4.3.1 Current State of IFB practices at Oromia Bank

Ethiopia has an abundant number of Muslim populations. Unfortunately, until recently, there was no interest-free banking practice to serve the Muslim community. Based on the need for high demand for IFB products and services in the country, the NBE issued a new proclamation that revises “the licensing and supervision of banking” and creates room for establishing interest-free banking and finance institutions. This proclamation is called “Proclamation No. 292/2008,” which states in its Article 22, Sub Article 2, “The national bank may issue a directive to regulate banking businesses related to non-interest-free banking deposit mobilization and fund utilization," which gives hope to the operating conventional and Muslim communities who are indeed of the IFB practices.

After a few years, in 2011, NBE issued a new directive, known as “Directives to authorize the business of IFB No. SBB/51/2011,” that defines in its Article 2(3) that conventional banks can offer interest-free banking services through a separate window.

Following the issuance of this directive, Oromia Bank, the late Oromia International Bank, has become the first to implement IFB in Ethiopia. On September 16, 2013, NBE issued the license for the launch of the IFB service to the bank. Ever since then, the bank has been serving the community through a separate window along with its other banking services. Situations change after the enactment of Directive to License and Authorize Interest-Free Banking Business No. SBB/72/2019, which allows the bank to open a full-fledged IFB branch for its customers.

This section discusses the state of interest-free banking practices in terms of deposit, financing, income, expenses, profit, number of customers, and number of full-fledged branches the bank opens each year.

Table 4-2-1 Growth trend of IFB financial and operational performance

	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Deposit	1,141 M	2,195 M	3,013 M	4,155 M	3,948 M	4,878 M	6,471 M
	-	*92.38%*	*37.27%*	*37.90%*	*-4.98%*	*23.56%*	*32.66%*
Financing	509 M	1,055 M	1,586 M	1,822 M	2,903 M	3,542 M	4,645 M
	-	*107.27%*	*50.33%*	*14.88%*	*59.33%*	*22.01%*	*31.14%*
Income	57 M	160 M	223 M	244 M	242 M	416 M	490 M
	-	*180.70%*	*39.38%*	*9.42%*	*-0.82%*	*71.90%*	*17.79%*
Expense	18 M	28 M	28 M	27 M	16 M	116 M	148 M
	-	*55.56%*	*0%*	*-3.57%*	*-40.74%*	*625%*	*27.59%*
Profit	39 M	132 M	195 M	217 M	226 M	301 M	342 M
	-	*238.46%*	*47.73%*	*11.28%*	*4.15%*	*33.19%*	*13.62%*
No. of Customers	97,530	167,451	248.614	328,269	375,980	610,758	828,481
	-	*71.69%*	*48.47%*	*32.04%*	*14.53%*	*62.44%*	*35.65%*
No. of full-fledged IFB branches	-	-	-	-	14	19	32

Source: Own computation from secondary data, June 2022

The above table outlines the growth trend of IFB's financial and operational performance. The total IFB deposit mobilization of the IFB account holders of the bank has shown fluctuation during the study period. The total deposit mobilization of the bank has increased from 2016 to 2019. However, at the end of 2020 FC, the growth of deposit mobilization has shown a decrease of 4.98%, which is compared with the previous year's same period achievement, which was explained due to the COVID-19 pandemic. The growth rate of the last two consecutive years, i.e., 2021 and 2022 deposit mobilization, has increased by 23.56% and 32.66%, respectively.

Financing is a very important variable since the overall profitability of the IFB sector depends on it. Currently, there are different types of financing products that the bank is offering to its customers. The total IFB financing availed to different economic sectors reached 4.645 billion at the close of the year 2022. Throughout all the study years, IFB financing has shown an increasing growth rate compared to each year's previous year's similar period performance. The bank is offering an IFB financing service that is analogous to its deposit.

The IFB wing of the bank generated income from its Murabaha financing, fee and commission income, and other operating income. Similar to the bank's IFB fund mobilization growth trend, the percentage growth of the bank's income has shown fluctuation. The above table indicates that, compared to the other study years' IFB expense growth trend, at 2021 FY, the bank incurred a total amount of Birr 116M that reached its maximum, showing a 625% increment from its previous year's similar period.

Interest-free banking makes profit through equity sharing rather than interest. In the case of OB, the bank earned its highest profit growth percentage during the fiscal year of 2017, which shows an increment of 238.48% compared with the previous year's profit (2016). On the customer base, the growth in the number of IFB account holders in the bank has shown an increment in all the study years.

Following the issuance of proclamation no. 1159/2019 that permits the establishment of full-fledged interest-free banking in Ethiopia, the bank started to open branches with full-fledged IFB practices in 2020. During the last 3 years, the bank has opened 32 full-fledged IFB branches in the country.

Coming to the current state of IFB practice in Oromia Bank, considering the number of IFB account holders, IFB deposits, and full-fledged IFB branches in the quarterly basis of the current fiscal year of 2022-2023 is discussed in the table below.

Table 4.2.2 Current percentage accomplishment of IFB financial and operational performance

	IFB No. of Customer			IFB Deposit			No. of Branches	Full-Fledged IFB Branches
	Target	Actual	%	Target	Actual	%		
1st Quarter	1,010,379	889,538	88%	7,293 M	6,915 M	95%	400	32
2nd Quarter	1,187.787	947,962	80%	8,279 M	7,667 M	93%	413	32
3rd Quarter	1,365,216	1,041,925	76%	9,143 M	7,300M	80%	449	35

Source: Own computation from secondary data, March 31, 2023

The number of IFB customers at the bank is significantly increasing quarter-on-quarter in the current fiscal year 2022–23. The bank achieved the highest customer base accomplishment in the first year of the current fiscal year. Currently, according to the report as of March 31, 2023, the bank has a total number of 1,041,925 IFB account holders. Besides, consistent growth in the customer base of the IFB service has significantly increased transactional accounts and volume. During the first quarter of 2022–23 FC, the bank performed the highest deposit mobilisation (95% of its target amount) from the interest-free banking wing. The above table indicates that the amount of deposit has been increasing from quarter to quarter. Currently, as of March 31, 2023, the bank has mobilised a total deposit of Birr 7,299,910.67 from its IFB customers. The bank has been providing interest-free banking services at almost all branches since the introduction of the service in Ethiopia. Immediately after the issuance of the NBE directive that allowed the establishment of full-fledged interest-free banking branches, the bank started opening several IFB-dedicated branches in the city and other towns. Currently, based on the report on March 31, 2023, the bank is providing window-based IFB services at 449 branches, of which 35 are full-fledged IFB branches.

4.3.2 Current State of Customers using IFB practices

The table below shows the customers state of using interest-free banking practices at Oromia Bank regarding their affiliation year, frequency of using the service, reason for association with the bank, which type of branch or window they are associated with and the type of account they are currently associated with. As indicated in Table 4.2, the majority of the respondents (45.4%) have been more than 3 times customers of the bank, followed by respondents found in years 1–3. Most of the valid respondents (30.1%) use the service occasionally, followed by the respondents who serve on a daily basis. 32.2% of the respondents are associated with saving accounts, and most of the respondents are associated with interest-free banking branches, indicating 32.2%. Amana is the interest-free banking product that most of the respondents currently use, indicating 32.4%, followed by Wadiah, which is 29.5%.

Table 4.3 Customers' current state of using IFB products and services

Background	**Distribution**	**Frequency**	**Percentage**
Affiliation year	Below a year	83	24.5
	1 – 3 years	102	30.1
	Above 3 years	154	45.4
Frequency of using the service	Daily	83	24.5
	Weekly	81	23.9
	Monthly	73	21.5
	Occasionally	102	30.1
Reason of association	Saving	109	32.2
	Borrowing/Financing	86	25.4
	Investment	60	17.7
	All	84	24.8
Type of branch/window associated with	IFB branch	109	32.2
	IFB window	86	25.4
	Conventional window	60	17.7
	All	84	24.8
	Wadiah	100	29.5

Type of IFB account associated with	Mudaraba Investment	16	4.7
	Amana	110	32.4
	Mudaraba Saving	57	16.8
	Qard	25	7.4
	All	31	9.1

Source: Own computation from primary data, April 2023

4.4 Exploratory Factor Analysis

Factor analysis is a statistical technique that is used for data reduction. The reason to apply this test is to reduce a large number of items to smaller numbers. Factor analysis helps researchers check the variables in the sample data (Emary and Cooper, 1991). This study uses Hail et al.'s (1998) guidelines to assess the theoretical significance of factor loadings. They suggest that the factor loading value of each factor should be 0.30 or more for a sample of 350 or greater. In this research, factor loading ranges from 0.463 to 0.892, which satisfies the minimum criteria and is appropriate for factor analysis.

The total questionnaire items originally were 28, which were reduced to 27. These 27 items met an essentially significant level of convergent validity. The measures used for assessing convergent validity were the average variance extracted (AVE) test statistics and composite reliability (CR) estimates. The AVE scores need to be greater than 0.5 and the CR should be greater than 0.7(Hair et al., 2010). Based on this analysis, the researcher grouped the 28 items into six factors: behavioral intention, uncertainty, relative advantage, compatibility, social influence, and awareness and AVE = 0.51 and CR = 0.87.

Thus, the results of factor analysis are reported in the following two tables:

Table 4.4.1 Factor Analysis for Behavioral Intention

	Factor Loading
Behavioral Intention (Cronbach's Alpha 0.887)	
I believe it is useful for me to adopt interest-free banking services	.854
I would highly recommend others to adopt the service from an Interest-free banking practices	.847
I never think of switching off the Interest-free banking usage	.811
My general intention to use interest-free banking practices is high	.755
Eigenvalue	**2.674**
Percentage Variance	**66.853**

Source: Output of SPSS, April 2023

The eigenvalue for the dependent variable is 2.674, which explains the total of 66.853% of the total variance with factor loading between.755 and.854. In general, the total variance explains the distributions of variance among the potential variables, while the eigenvalue measures the variance. As indicated in the above table, the eigenvalue is sufficient for the variance explained since it is greater than one.

Moreover, as shown in the table below, the eigenvalue for all independent variable factors is greater than 1, which in aggregate explained a total of 56.965 percent of the variance with factor loading between 0.463 and 0.892. Furthermore, reliability is assured since the Cronbach's alpha is greater than its minimum threshold of 0.7. The Cronbach's alpha of this study for uncertainty, relative advantage, compatibility, social influence, and awareness is 0.813, 0.807, 0.906, 0.828, and 0.782, respectively.

Table 4.4.2 Factor Analyses for Behavioral Intention

	UNC	RAD	CPT	SIN	AWR
Uncertainty (Cronbach's Alpha 0.813)					
I believe it is useful for me to adopt interest-free banking service My usage of Interest-free banking practice is influenced by monetary policy issued by the central bank of Ethiopia	.652				
My usage of Interest-free banking practice is influenced by high inflation rate in the country	.738				
My usage of Interest-free banking practice is influenced by procedures/ regulations issued by bank	.782				
My usage of Interest-free banking practice is influenced by profitability of the bank	.627				
My usage of Interest-free banking practice is influenced by employee turnover rate of the bank	.570				
Relative Advantage (Cronbach's Alpha 0.807)					
Using Interest-free Banking products and services improved the quality of my financial dealing		.605			
Interest-free Banking operation is in line with Sharia principles		.606			
Investments are more secure in Interest-free banking services providing by the bank		.642			
I feel using an Interest-free banking product will increase my revenue		.589			
Interest-free Banking is a convenient way to manage my finance		.601			
Compatibility (Cronbach's Alpha 0.906)					
Interest-free Banking fits with my banking needs			.780		
Interest-free Banking fits with my habits of using bank			.862		
Interest-free Banking is well suited to my religious belief			.841		
Using Interest-free banking services fits well with the way I like to manage my finance			.696		
Social Influence (Cronbach's Alpha 0.813)					
People I consider important can influence me to use Interest-free banking				.725	
Information I get from religious institutions about Interest-free Banking practices influenced me to use the service				.892	
Most of my families/friends/colleagues who have become customers of Interest-free banking agree that Interest-free banking is better than the conventional one				.514	
Advertising by the bank influence me to open Interest-free banking account				.680	
Awareness (Cronbach's Alpha 0.813)					
I have information about the depository, investment and financing products of Interest-free Banking					.589

I know the distinction between Interest-free Banking and its conventional banking					.463
I know the instruments used in financing products offered by the bank					.653
I have enough knowledge about using Interest-free Banking products					.723
I have enough knowledge about the features and the benefit of Interest-free Banking products					.703
Eigenvalue	**5.336**	**3.308**	**2.175**	**1.188**	**1.094**
Percentage Variance	**23.202**	**14.385**	**9.456**	**5.164**	**4.758**
Cumulative Variance	**23.202**	**32.587**	**47.042**	**52.207**	**56.965**

Source: Output of SPSS, April 2023

4.5 Linear Regression Model Analysis

These regression estimates are used to explain the relationship between one dependent variable and one or more independent variables. For the regression model to be generalized, first the underlying assumptions, namely normality, homoscedasticity, linearity, and multicollinearity, must be checked.

Normality refers to the fact that each variable and all linear combinations of the variables are normally distributed. Under this study, a relatively large sample is involved, which is 339 account holders of IFB. Hence, there is no question of the normality of the data and the outlier as the result of a large sample.

Homoscedasticity refers to whether these residuals are equally distributed or whether they tend to bunch together at some values and, at other values, spread far apart. Homoscedasticity can be detected using the Variance Inflation Factor (VIF). If the VIF value is less than or equal to 10, it implies there is no severe multicollinearity in the model. In this case, all the independent variables have a VIF value less than 10 (see Appendix of regression results), which indicates there is no multicollinearity problem in the model.

Linearity means that the independent variables in the regression have a straight-line relationship with the response variable (Field, 2009). Hence, in this model, the residuals are normally distributed and homoscedastic, so there is no worry about the linearity.

Multicollinearity refers to when your predictor variables are highly correlated with each other. Similar to homoscedasticity, multicollinearity can be checked using variance inflation factor (VIF) values. According to Landau and Everitt (2004), variance inflation factors (VIFs) above 10 or tolerances below 0.1 are seen as a cause of concern. In this regression model, each VIF value of the predictor variables is below 10 and tolerances are greater than 0.1 (see Appendix of regression results), indicating that the assumption is met.

4.6 Testing Hypothesis

As proposed by the conceptual framework of the study, customers' behavioral intention is an endogenous variable, and there are 5 exogenous variables, i.e., uncertainty, relative advantage, compatibility, social influence, and awareness, in the study. The hypothesis testing was done through multiple regression analysis. T-values from SPSS results have been used to estimate results for hypothesis testing and answer the research questions. T-values are used to decide on the significance, and according to the rule of thumb by George and Mallery (2003), a t-value greater than 2 is considered significant. The beta estimate values (ß) are the coefficients of the regression. For each estimate, the null hypothesis states that the coefficient ß is equal to 0, which indicates that there is no statistically significant relationship between the predictor variable and the response variable after holding the other independent variables constant. Hereafter, each of the hypotheses is tested one by one.

4.6.1 Testing Hypothesis One

Hypothesis H1 proposes that uncertainty has a negative influence on the usage of IFB services in OB. As can be indicated from the linear regression result in Table 1.8, uncertainty (UNC) and behavioral intention (BI) have an ß estimate value of -.178, a t-statistic of -3.865, and a p-value less han.001. Thus, hypothesis H1 is supported and the alternative hypothesis is rejected. Hence, uncertainty does not have a significant influence on the intention to adopt IFB service in the bank. This is in line with the findings of Echchabi and Aziz (2012b). This could be due to the unawareness and/or misconception regarding policies and directives issued by NBE, different procedures implemented in the bank, and understanding the influences of banks profitability and turnover on the usage of IFB practices.

4.6.2 Testing Hypothesis Two

Hypothesis 2 assumes that relative advantage has a significant influence on the intention to adopt IFB service in OB. Hence, hypothesis 2 is supported and the alternative hypothesis is rejected. This is in line with the findings of Echchabi and Aziz (2012b). Relative advantage and behavioral intention have an ß estimate value of 0.381, a t-statistic of 6.962, and less than 0.001 p-values. The relative advantage of IFB service in the bank is perceived and measured via the customer’s economic benefit and quality of financial dealing, and the service is according to sharia principles.

4.6.3 Testing Hypothesis Three

Hypothesis 3 hypothesizes that compatibility has a significant positive influence on the intention to adopt IFB service in OB. Therefore, hypothesis 3 is rejected, and the alternative hypothesis is rejected. This outcome is in line with the findings of Echchabi and Aziz (2012b). Compatibility and behavioral intention have an ß estimate value of 0.259, a t-statistic of 4.640 and a p value less than 0.001. This indicates that much emphasis on marketing and management strategies should be placed on the personal, social, and religious values and specific financial needs and habits of the IFB account holders of the bank.

4.6.4 Testing Hypothesis Four

Hypothesis 4 proposes that social influence was found to have a significant positive influence on the intention to adopt IFB service in OB. Unfortunately, hypothesis 4 is not supported, whereas the respective alternative hypothesis is not rejected. By concurring with this hypothesis, social influence and behavioral intention have an ß estimate value that showed a negative value of -0.017 and a t-statistic of -0.324. On the other hand, a p-value of 0.747 indicates social influence has an insignificant effect on the intention to use the IFB service in the bank. This contradicts the findings of Echchabi and Aziz (2012).

4.6.5 Testing Hypothesis Five

Hypothesis 5 assumes that awareness has a significant positive effect on the intention to adopt IFB service in OB. Awareness and behavioral intention have an ß estimate value that showed a negative value of -.101 and a t-statistic of -2.075 with a p-value less than 5%. Hence, hypothesis 5 is not supported. On the contrary, the respective alternative hypothesis was rejected. This result contradicts the findings of Echchabi and Aziz (2012b).

Thus, among the five factors intentionally indicated in the model, only two independent variables, namely relative advantage and compatibility, have a significant positive influence on the adoption of IFB services in OB. The beta values of the variables indicate that these two independent variables have a positive impact on the dependent variable (BI), whereas uncertainty and awareness have a negative influence and social influence has no influence. Thus, the regression equation can be written as follows:

$$\mathbf{BI = 11.735 - .146UNC + .303RAD + .204CPT - .016\ SIF - .090AWR} + \boldsymbol{\varepsilon}$$

4.7 Customers opinion towards IFB practice

This section demonstrates respondents' opinions towards the IFB practice of OB to reach a better level in the future. While collecting the data, there were common and similar responses that can be grouped into categories that have been assessed in terms of the five pillars: customers' own contribution, comments to the bank, the sharia advisory committee, society, and the NBE that issues the policies and regulations. The researcher categorizes the similar opinions of each response of the IFB account holders and draws conclusions from the data to capture what the response is all about.

4.7.1 Customer contribution

One of the contribution factors that helps a bank reach a higher level of customer base and deposit mobilization than it does in its current state and generate additional customers is its existing customer base. Based on the similarities of customers opinions on their contribution towards the growth of IFB practice in the bank, their opinions have been categorized into the three themes discussed hereafter. As a crucial opinion, respondents have mentioned that knowing the IFB service offered by the bank and understanding the advantage gained from it is a primary step. This leads them to use the service they get effectively and be served better than now. As a result of these two, they argue that promoting, giving awareness, and recommending others (both Muslim and non-Muslim society) to use the IFB service The main points raised here are that knowing and understanding the service, using the service effectively, and promoting, giving awareness, and recommending others to use the service are customers' contributions to the growth of IFB practice in the bank.

4.7.2 Comments for the bank

One of the vital things for the success of a bank that gets much attention in the industry is their customers and customers' opinions help a lot in their success journey. Hence, currently the computation of the IFB banking practice is so stiff that addressing what customers expect from the service provider is essential to sustain the industry. Hereafter, respondents' comments to the bank to advance its IFB practice to a better level have been discussed.

Customers expect that the bank should give special attention to IFB practices and must ensure their trust in the service. The expansion of branches was also mentioned by respondents. The bank should do an area analysis on branch expansion and open full-fledged IFB branches in the country. At the same time, the bank should increase IFB customer-oriented windows in their conventional branches. Well-trained and experienced employees are the backbone of service-delivery industries. Hence, respondents expected from the bank that it screen employees on service behavior and train them well on how to handle customers. Parallel to this, the bank should recruit employees who are well trained and experienced in IFB practices. Training the existing employees about IFB practices in a sharia-compliant way was also mentioned by respondents.

The other issue that respondents argue on is that the bank should increase or develop the benefits of saving, facilitate without collateral financing and expand the mutual benefit of IFB services and products in a sharia-compliant way. Respondents also raise their opinion on the use of technology and promotions held by the bank. They suggested that the bank should use advanced technology to excel in its service and use social media to promote the IFB practice.

4.7.3 Comments for the Shari'ah advisory committee

The implementation of IFB must be in accordance with Shari'ah principles. The Shari'ah advisory committee in a bank has momentous duties and responsibilities. The SAC of Oromia Bank has dedicated itself to ensuring the best quality services and demonstrates commitment to Shari'ah compliance in the products, processes, documentation, marketing, and other related matters applied by the bank.

The account holders of IFB in the bank expected various commitments from the Shari'ah advisory committee of the bank. Respondents suggested that the SAC should ensure that the IFB practice of the bank in all branches is compliant with Shari'ah law. The products and benefits offered by the bank to its customers' needs must be in accordance with the Shari'ah requirements. In line with this, respondents also argue that the committee should convince the bank to expand IFB products and services and push the bank to give benefits either to the account holder or to society.

Awareness creation in society for both Muslims and non-Muslims is needed in order to expand the bank's service. Respondents suggested that the SAC should communicate with the IFB users and share their knowledge so as to spread the use of IFB practice within society. To get an advanced result on the awareness creation, respondents suggested that the committee should use religious institutions (Mosques) to educate the people to use interest-free banking services. Respondents are also expected by the committee to share their knowledge about the rulings regarding IFB and their duties (work) should be transparent to IFB users.

4.7.4 Comments for the society (Muslims and Non-Muslims)

Both Muslim and non-Muslim societies can use the interest-free banking services. The bank also has two societies of account holders. In this study, respondents gave their comments on both Muslim and non-Muslim society. Respondents from the Muslim community were advised to use the service in accordance with Shari'ah. Gaining more knowledge on the area and transferring it to society is expected of Muslim society.

The non-Muslim respondents advised that they should know in depth about the IFB practices and take fair advantage of them. For both societies, respondents suggested that they should not relate the practice of IFB to religious phenomena. Since the IFB service has its own blessings, respondents advised all of society to use interest-free banking services.

4.7.5 Comments for regulation and policy makers (NBE)

The National Bank of Ethiopia’s (NBE) directive that guides the interest-free banking business defines the service as mobilizing or advancing funds that is undertaken in a manner consistent with Islamic finance, which avoids receiving and paying interest. The NBE’s directive came into power in October 2011, but interest-free banking in Ethiopia started only in 2013, when Oromia Bank (OB) launched the service in September 2013.

The majority of the respondents do not have a detailed clue about the policies and regulations issued by NBE, so they refused to give their opinion on this issue. Hereafter, some of the respondents have mentioned their ideas on directed policies and regulations by the NBE.

Regulations should consider the interests of IFB users and should be designed in a way that includes the interests of both Muslim and non-Muslim societies. Before the issuance of any regulations or policies, there should be an analysis on the customer side. There are countries with similar financial systems where both Muslim and non-Muslim societies use the IFB service. Hence, the regulatory body should share the experiences of those countries before issuing directives.

In line with this, the NBE should include Shari'ah advisories while conducting directives to ensure the practice is adhering to the law. Respondents also mentioned that current policies and regulations on IFB should be revised to make them mutually beneficial.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents the final part of the study based on the results obtained in the study; a summary of the major findings and implications will be presented in this chapter. Further, this chapter also provides conclusions, and some recommendations were suggested for Oromia Bank and concerned organs in line with the findings of the study. Furthermore, the study's limitations and future research were also presented in this chapter.

5.1 Summary of major findings

The purpose of the study is to review the current state and future prospects of IFB practice by using Oromia Bank as a case study. To trace such an objective, both probability and purposive sampling techniques were used, and 384 observations were compromised. To review the current state of IFB practice in the bank, secondary data were used to identify the variables that might have a significant impact on the adoption of IFB services through descriptive and exploratory analysis and linear regressions. The decomposed theory of planed behavior is chosen as the basis for this study. The major findings of the study are summarized as follows: The major findings of the study are summarized as follows:

- The major demographic results where majority of the respondents were male, 47.5% of the respondents categorized under the age group between 26 and 35, most of the respondents were Muslims, 30.7% of respondents have bachelor's degree and above education level, 39.2% of respondents were self-employed, and 44.8% of respondents' monthly income level were above birr 10,001.00.
- The current state of IFB practice was reviewed on two spectrums: on the bank's aspect and the customers' aspect. Since Oromia Bank got an endorsement from the NBE to offer interest-free banking window services in 2013 after the issuance of NBE Directives, SBB/51/2011, the bank's deposit, financing, number of customers, profit, and number of branches that give IFB service on window level and full-fledged IFB branches have been showing growth except for some fluctuation in the

year between 2019 and 2020. During the current fiscal year 2022/23, 3 quarter reports show that the bank has achieved excellent results in terms of its target given on customer base, deposit mobilization, and number of branches that provide IFB service on window level and separate full-fledged IFB branches.

- On the other spectrum, the majority of respondents use the IFB service for more than 3 years and most of the respondents use the service occasionally. Saving is a reason for attachment with the bank for most of the respondents and 32.2% of the account holders are associated with IFB branches to get the service. 32.4% of the respondents are associated with an Amana IFB account.
- From the model, five (5) factors were statistically significant in the implementation of the IFB service. These were uncertainty, relative advantage, compatibility, social influence, and awareness. The results indicated that only relative advantage and compatibility were found to be significantly influencing the adoption of IFB service in the bank, with beta values of ß = 0.303 and ß = 0.204, respectively. However, uncertainty (ß = -0.146), social influence (ß = -0.016) and awareness (ß = -0.090) have a negative influence on the implementation of the IFB service in the bank.
- Customers' opinions towards the IFB practice of the bank to reach a better level in the future have been analyzed in terms of five pillars. The first thing is the customer's own contribution that illustrates respondents' opinions, and the main ideas were knowing service and understanding the advantage gained from it, using the service effectively, promoting, raising awareness, and recommending others to use the service. 2nd, respondents expect from OB to take area analysis and open IFB desiccated branches, recruit well-trained and experienced employees, train its existing employees, increase or develop the benefits of saving, facilitate without collateral financing, expand the mutual benefit of IFB services and products in a sharia-compliant way, and also use advanced technologies and promote the IFB practice well. Third, respondents argue that the Shari'ah advisory committee of the bank should ensure that the IFB practice is compliant with Shari'ah law, convince the bank to expand IFB products and services, create awareness in society, and that their duties (work) should be transparent to the IFB users. Fourth, respondents advised the Muslim society to use the service properly and non-Muslims should

know in depth about the IFB practice and take advantage of it. Lastly, respondents also mentioned some comments to the regulatory party (NBE) that before the issuance of any regulations, the interests of IFB users should be considered, as the share of experience of countries with similar financial systems, and Shari'ah advisories should be included while conducting directives to ensure the practice is adhering to the law.

5.2 Conclusion

The main objective of this study was to assess the current state and future prospects of IFB practice at Oromia Bank. Accordingly, the study was motivated to address three questions: What is the current state of IFB practice in the What are the factors influencing the adoption of IFB? And what opinions do IFB accountholders of Oromia Bank have on interest-free banking practices to reach a better level in the future?

- The answer to the first question is that the bank's IFB practice growth in terms of deposit, financing, number of customers, profit, and branch expansion has been showing an increment except for some fluctuation during the year between 2019 and 2020 that was due to the COVID-19 pandemic. Currently, the bank has achieved an excellent result in terms of its target given on customer base, deposit mobilization, and branch expansion. Current customer usage of the IFB service shows most of them get the service for more than three years and serve occasionally; saving was their reason for attachment with the bank and they are associated with full-fledged IFB branches and Amana IFB accounts.
- This study also examines the factors influencing the adoption of IFB practice. The results show that relative advantage and compatibility are the main factors that influence the adoption of IFB services, while uncertainty, social influence, and awareness have a negative influence.
- Finally, the opinions of IFB account holders show that their own contribution and what they advised to the bank, the Shari'ah advisory committee, society, and the regulatory body (NBE) could have an impact on the development of IFB practice in the future.

5.3 Recommendation

The findings have significant implications for the theory, the bank, and the practitioners. In line with the findings and the conclusion, the following recommendations are forwarded:

- To sustain in the business successfully and push the practice one step ahead, the bank should place much emphasis on branch expansion and mobilizing more deposits and customers. Expansion of branches, which can be conventional that serve the customer at window level and full-fledged IFB branches, leads to attracting and addressing more customers and mobilizing a sufficient amount of deposit. In doing this, the bank can provide financing facilities and gain a significant amount of income that can make the IFB segment of the bank's profit contribution high.
- Much emphasis should be placed on the relative advantage of the IFB practice in comparison to conventional banking practices. Moreover, emphasis should be placed on the compatibility of the IFB practice with the needs and habits of customers using the service, as well as compatibility with religious beliefs and the management of the customer's self-finance.
- Customers' involvement has a vital role in the implementation of IFB practices provided by the bank. So, the IFB account holders of the bank should have a detailed awareness of the service offered by their bank and promote and recommend others to use the service. Furthermore, customers should use the service effectively in a Shari'ah-compliant way.
- Nowadays, the IFB practice is implemented as a separate, full-fledged IFB bank, which makes the competition fierce. To stay in business successfully, the bank should consider the following issues:
    - The bank needs to take an area analysis and consider the expansion of branches, both conventional since they can provide window-level IFB service and full-fledged IFB branches, to address the demands of society.
    - Moreover, the bank should facilitate training programmers, workshops, and seminars on interest-free banking products and services, directives, and

procedures for its employees, so that they can become aware of customers through their daily activities.

- Moreover, the bank should use more promotions and advanced technologies so that it can facilitate the IFB practice and attract more customers.

➢ The Shari'ah advisory committees have their own role in the development of IFB practice in the bank. They should communicate with society to identify their problems and questions about the IFB practice and educate them well. As a result, people can take advantage of the service fairly and in a Shari'ah-compliant way. Besides, they should follow up on the bank's practices and ensure the service is compliant with Shari'ah law.

5.4 Limitation and suggestion for future study

The current study has a number of limitations that should be taken into account in future studies in this area. The current study, as well as most of the past studies in Ethiopia, have analyzed the interest-free banking practice either from a customer or bank perspective, mostly in the case of the Commercial Bank of Ethiopia. In this regard, a clearer view of interest-free banking practices in Ethiopia should be searched by examining other local private conventional and full-fledged IFB banks, Shari'ah scholars and related others on the aforementioned issues. Furthermore, future studies are also recommended to extend these findings to other contexts, preferably using other models as well and applying mixed methods.

References

Abate, A. (2016). *The Regulation and Supervision of Interest-Free Banking in Ethiopia* (Unpublished Master's thesis, Addis Ababa University).

Ahmad, A. U. F., & Hassan, M. K. (2007). *Regulation and performance of Islamic banking in Bangladesh*. Thunderbird International Business Review, 49(2), 251-277.

Ahmed, M. I. (2019). *The Progress to Allow Fully Fledged Interest-free Banking Business in Ethiopia*. European Journal of Islamic Finance, (14).

Akmel Hailu (2015). *Challenges and prospects of Islamic banking for resource mobilization in Ethiopian commercial banks* (unpublished project paper)

Alharbi, A. (2015). Development of the Islamic Banking System. *Journal of Islamic Banking and Finance*, 3(1), 12-25.

Ali, K. (2016). *Challenges on Interest-free Banking Services: The Case of Commercial Bank of Ethiopia* (Unpublished Master's thesis, Addis Ababa University).

Aman, A. (2019). Interest-free window banking and finance in Ethiopia: inception to expansion. *Journal of economic library*.6(4), 1-14

Anas Zarqa (1980). International Centre for Research in Islamic Economics, ISBN 0-86037-067-4. - 1980, p. 3-18

Bati, M. (2018). *Assessment of Post Implementation Challenges of Interest-free Banking Project: The Case of Commercial Bank of Ethiopia* (Unpublished Master's thesis, Addis Ababa University).

Bello, A., & Abubakar, M. I. (2014). Challenges and solutions to Islamic banking system in a pluralistic-secular country like Nigeria. *Journal of Islamic Economics, Banking and Finance*, 113(3580), 1-19.

Chachi, A. (2005). Origin and development of commercial and Islamic banking operations. *Islamic Economics*, 18(2).

Debebe Alemu (2015) *Factors Affecting Customers" to Use Interest-free Banking in Ethiopia* (Unpublished Master's Thesis, AAU)

Debebe Alemu (2021) *Interest-free Banking in Ethiopia: Customer Awareness, Satisfaction and Its Role on Economic Development* (Unpublished Master's Thesis, Jimma University)

Demirgüç-Kunt, A., Leora K., Dorothe S., Saniya A., and Jake H. 2018. *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. World Bank: Washington, DC.a

Endale, E. (2016). *Customers' perception Towards Interest-free Banking Products and Services: In Selected Branches of Commercial Bank of Ethiopia* (Unpublished Master's thesis, St. Mary's University)

Feyissa, D. (2012). The transnational politics of the Ethiopian Muslim diaspora. Ethnic and Racial Studies, 35(11), 1893-1913.

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.

Getachew, Y. (2018). Assessment of Prospects and Challenges of Interest-free Banking In Ethiopia In The Case Of Commercial Bank Of Ethiopia, North Addis District (Unpublished Master's thesis, St. Mary's University).

Global Islamic Finance Report (GIFR). 2019. Islamic Finance Country Index (IFCI). Retrieved on January 12, 2020, from http://www.gifr.net/publications/gifr2019/ifci.pdf

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.

Halim, M. A. B. A. (2011). Enhansing the Effectiveness of Legal Infrastructure: A Study on Legal Issues and Other Challenges of Islamic Banking and Finance in Malaysia, paper from 8th International Conference on Islamic Economics and Finance. Center for Islamic Economics and Finance, Qatar Faculty of Islamic Studies, Qatar Foundation, 19-21.

Hussain, M. M., & Pasha, A. T. (2011). Conceptual and operational differences between general takaful and conventional insurance. Australian Journal of Business and Management Research, 1(8), 23-28.

Iqbal, M., Aḥmad, A., & Khan, T. (1998). Challenges facing Islamic banking (Vol. 1). Jeddah: Islamic Research and Training Institute.

Iqbal, Z., & Mirakhor, A. (1999). Progress and challenges of Islamic banking. Thunderbird International Business Review, 41(4-5), 381-405.

Islamic Financial Servcies Board (IFSB). 2019. Islamic Financial Services Industry Stability Report. Kuala Lumpur, Malaysia, July.

Jemal, N. (2018). Practices and Challenges of Interest-free Banking Windows of Commercial Banks in Ethiopia (Unpublished Master's thesis, AAU).

Kedir Abas (2019). Factors Influencing The Customer Adoption of Interest-free Banking in Wegagen Bank (Unpublished Master's thesis, AAU).

Karbhari, Y., Naser, K., & Shahin, Z. (2004). Problems and challenges facing the Islamic banking system in the west: The case of the UK. Thunderbird International Business Review, 46(5), 521-543.

Kebede, D. A. (2015). Factors Affecting Customers to Use Interest-free Banking in Ethiopia. (Unpublished project work).

Khan, M., & Bhatti, M. (2008b). Islamic banking and finance: on its way to globalization. Managerial finance, 34(10), 708-725.

Ajaz Ahmed Khan (2011). The Potential of Islamic Microfinance as a Development Tool

Mariani Abdul-Majid & David S. Saal & Giuliana Battisti, 2010. "Efficiency and total factor productivity change of Malaysian commercial banks

Mohamad, M. T., Abdullah, M. Y., Mohamad, M. A., & Abidin, U. Z. A. A. Z. (2013). The historical development of modern Islamic banking: A study in South-east Asia countries. African Jornal of Business and Mnagement.

Mohd Zamil, N. A. (2014). An empirical investigation into the problems and challenges facing Islamic banking in Malaysia (Doctoral dissertation, Cardiff University).

Mollah, S., & UDDIN, M. H. (2013). How Does an Islamic Microfinance Model Play the Key Role in Poverty Alleviation? Contemporary Islamic finance: Innovations, Applications, and Best Practices, 614, 245.

Muhumed, M. (2012). Islamic Banking: Prospects, Opportunities and Challenges in Ethiopia (Unpublished Master's thesis, Addis Ababa University).

Mzee, M. M. (2016). The Legislative Challenges of Islamic Banking in Tanzania. JL Pol'y & Globalization, 45, 131.

Nobel Demissie (2019), factors affecting the implementation of interest-free banking service in Ethiopia: the mediation role of customer involvement. Thesis submitted to Addis Ababa university college of business and economics department of MBA

Saidi, A. (2007). Relationships between ethical and Islamic banking systems and its business management implications. South Africa Journal of Business Management, 1, 43-49.

Sefiani, Z., (2014). Policy Analysis on Ethiopia Interest-free Banking (IFB) Directive. Prepared for Mercy Corps.

Shaik Abdul Majeeb, P. (2014). Role and Progress of Islamic Banking in India, Ethiopia and Rest of the World - An Analysis. European Journal of Business and Management, 6(17).

Song, M. I., & Oosthuizen, C. (2014). Islamic banking regulation and supervision: Survey results and challenges (No. 14-220). International Monetary Fund.

Tabash, M. I. (2017). Critical challenges affecting Islamic banking growth in India using Analytical Hierarchy Process (AHP). Banks and Bank Systems, 12(3), 27

Taylor, S., & Todd, P. (1995b). Decomposition and crossover effects in the theory of planned behavior: A study of consumer adoption intentions. International Journal of Research in Marketing, 12, 137-155

Thambiah, S., Eze, U. C., Santhapparaj, A. J., & Arumugam, K. (2011b). Customers" Perception on Islamic Retail Banking: A Comparative Analysis between the Urban and Rural Regions of Malaysia. International Journal of Business and Management, 6(1), 187- 198.

Tsion, S. (2017). Challenges and opportunities of interest-free banking in Ethiopia (Unpublished Master's thesis, Addis Ababa University).

Uppal, J. Y., & Mangla, I. U. (2014). Islamic banking and finance revisited after forty years: Some global challenges. Journal of Finance, 16, 36-51.

Warde, I. (2000). Islamic finance in the global economy. Edinburgh University Press.

Wondwosen, T. (2018). operational challenges and opportunities of interest-free banking in Ethiopia (Unpublished Master's thesis, Addis Ababa University).

Zaher, T. S., & Kabir Hassan, M. (2001). *A comparative literature survey of Islamic finance and banking*. Financial Markets, Institutions & Instruments, 10(4), 155-199.

Zamil, M., & Aiza, N. (2014). *An empirical investigation into the problems and challenges facing Islamic banking in Malaysia* (Doctoral dissertation, Cardiff University).

Appendix

Assessing the Determinants of Behavioral Intention of Interest Free Banking Customers

Reliability Statistics

(Behavioral Intention)

Cronbach's Alpha	N of Items
.887	4

Uncertainty

Cronbach's Alpha	N of Items
.813	5

Relative Advantage

Cronbach's Alpha	N of Items
.807	5

Compatibility

Cronbach's Alpha	N of Items
.906	4

Social Influence

Cronbach's Alpha	N of Items
.813	4

Awareness

Cronbach's Alpha	N of Items
.813	6

Descriptive Statistics

	Mean	Std. Deviation	N
BI	16.2094	4.01113	339
UNC	13.7493	4.44616	339
RAD	18.1327	4.92999	339
CPT	14.8171	5.10501	339
SIF	12.8230	3.73429	339
AWR	19.6519	5.48072	339

Correlations

		BI	UNC	RAD	CPT	SIF	AWR
Pearson Correlation	BI	1.000	-.265	.546	.466	.047	.042
	UNC	-.265	1.000	-.017	-.092	.277	.098
	RAD	.546	-.017	1.000	.594	.272	.171
	CPT	.466	-.092	.594	1.000	.259	.251
	SIF	.047	.277	.272	.259	1.000	.489
	AWR	.042	.098	.171	.251	.489	1.000
Sig. (1-tailed)	BI	.	.000	.000	.000	.193	.222
	UNC	.000	.	.381	.045	.000	.035
	RAD	.000	.381	.	.000	.000	.001
	CPT	.000	.045	.000	.	.000	.000
	SIF	.193	.000	.000	.000	.	.000
	AWR	.222	.035	.001	.000	.000	.
N	BI	339	339	339	339	339	339
	UNC	339	339	339	339	339	339
	RAD	339	339	339	339	339	339
	CPT	339	339	339	339	339	339
	SIF	339	339	339	339	339	339
	AWR	339	339	339	339	339	339

Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	11.735	.977		11.572	.000	9.380	13.223		
	UNC	-.201	.041	-.147	-3.865	.000	-.281	-.121	.894	1.118
	RAD	.357	.044	.304	6.963	.000	.271	.443	.631	1.585
	CPT	.162	.043	.204	4.640	.000	.077	.247	.611	1.638
	SIF	-.047	.056	-.016	-.325	.747	-.157	.064	.664	1.507
	AWR	-.031	.036	-.090	-2.075	.005	-.102	.041	.742	1.347

a. Dependent Variable: BI

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.625[a]	.391	.381	3.15470	.391	42.686	5	333	.000	1.945

a. Predictors: (Constant), AWR, UNC, RAD, SIF, CPT

b. Dependent Variable: BI

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2124.078	5	424.816	42.686	.000[b]
	Residual	3314.052	333	9.952		
	Total	5438.130	338			

a. Dependent Variable: BI

b. Predictors: (Constant), AWR, UNC, RAD, SIF, CPT

Collinearity Diagnostics[a]

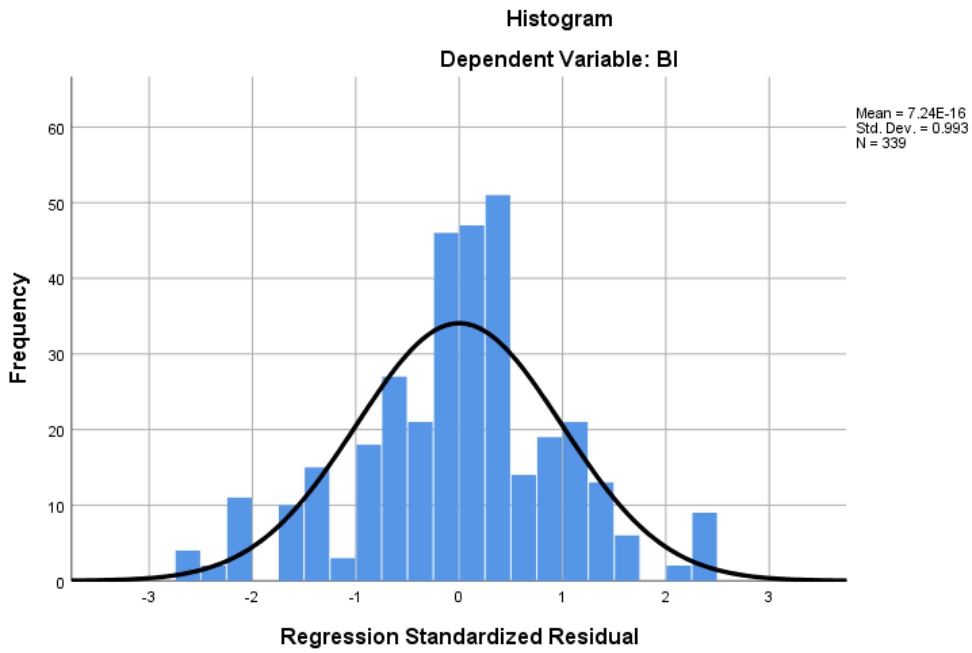
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions: (Constant)	UNC	RAD	CPT
1	1	5.712	1.000	.00	.00	.00	.00
	2	.123	6.828	.00	.33	.04	.20
	3	.068	9.137	.00	.29	.06	.05
	4	.039	12.069	.10	.00	.00	.00
	5	.036	12.639	.09	.17	.50	.72
	6	.022	15.946	.81	.20	.40	.03

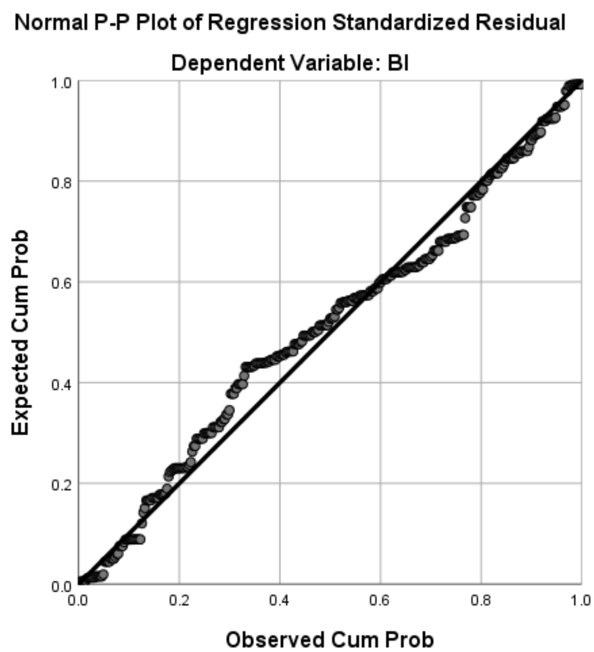
a. Dependent Variable: BI

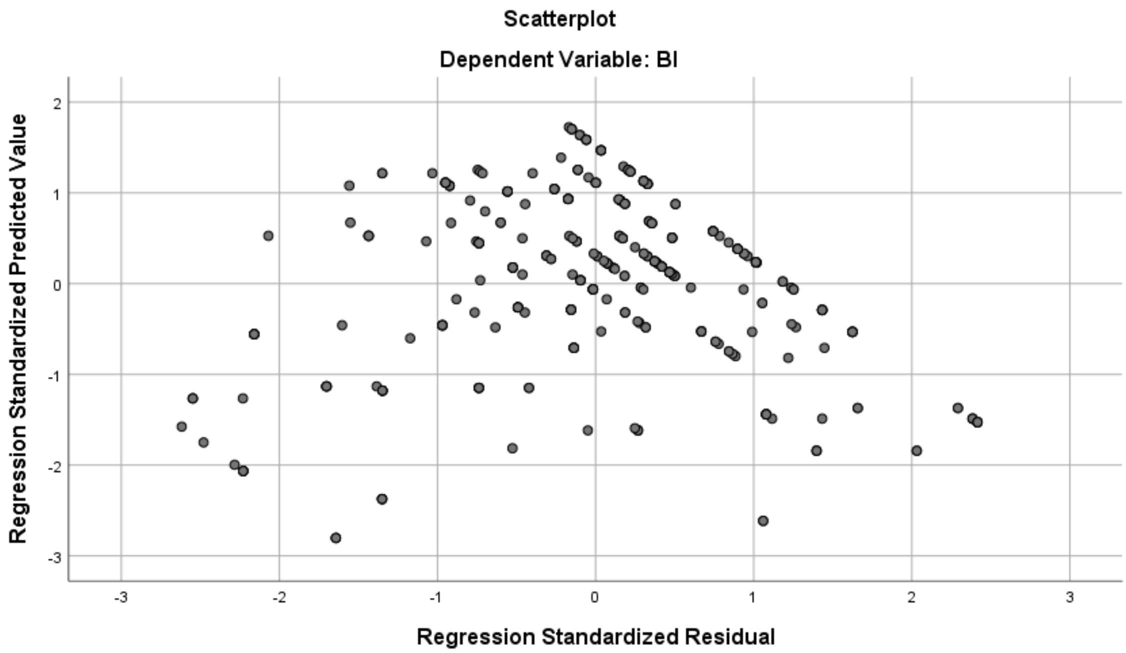
Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	9.1823	20.5331	16.2094	2.50684	339
Residual	-8.25820	7.61931	.00000	3.13128	339
Std. Predicted Value	-2.803	1.725	.000	1.000	339
Std. Residual	-2.618	2.415	.000	.993	339

a. Dependent Variable: BI


Histogram
Dependent Variable: BI
Mean = 7.24E-16
Std. Dev. = 0.993
N = 339
Frequency
0
10
20
30
40
50
60
-3
-2
-1
0
1
2
3
Regression Standardized Residual


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


Scatterplot
Dependent Variable: BI
Regression Standardized Predicted Value
Regression Standardized Residual
2
1
0
-1
-2
-3
-3
-2
-1
0
1
2
3

ADDIS ABABA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

MBA PROGRAM

QUESTIONNAIRES

Dear respondent, I want to thank you in advance for your time. My name is Niya Taye, and I am an MBA in Finance student at the Addis Ababa University. As a partial fulfillment to complete the degree, I am conducting research on the Determinants of Behavioral Intention of Interest-free banking Customers of Oromia Bank. The information is used in a study that the researcher is covering under the topic "Assessing the Determinants of Behavioral Intention of Interest-free banking Customers in case of Oromia Bank S.C ". Any information gathered will be used only for academic purpose. For this reason, your contribution to honestly filling out this questionnaire is helpful to produce a quality research paper. So, please you are cordially requested to answer the following question and be informed that there is no right or wrong answer. Thank you in advance for your time and honest response.

If in need contact me via

Mobile: +251-911-85-65-74

Email:- nan.ttadesse@gmanil.com

Important aspects of the questionnaire

- There is no need to write your name
- When applicable, select more than one answer

Part I - General Information

1. Gender

   ☐ Male ☐☐ Female

2. Age (in years)

   ☐ 18-25 ☐☐ 26-35 ☐☐36-45 ☐☐Above 46

3. Religion

   ☐ Muslim ☐☐ Non-Muslim

4. Education

    Read and write   Primary education   High school

    Diploma/TVET   Bachelor's Degree and above   None

5. What do you do for living?

    Public Sector   Private Sector   Self-employed

    No job   Retired

6. Income (in a month)

    Below 5,000.00   5,001.00 – 10,000.00   Above 10,001.00

Part I – Current State of using IFB

1. Experience of using the services of the bank

    Below a year   1-3 years   Above 3 years

2. How often do you use the banking service?

    Daily   Weekly   Monthly   Occasionally

3. Reason for association with the bank

    Saving   Borrowing/ Financing

    Investment   All

4. Which branch/window you are associated with

    IFB branch   IFB window

    Conventional window   All

5. Which IFB account you are currently using

    Wadi'ah   Mudarabah Investment   Amana

    Mudarabah Saving   Qard   All

Part III - Factors Affecting the Adoption

This part is divided into six sections, in each section there is statement that indicate what determines customers' perception towards the adoption of Interest-free banking practices that you intended to fill. In this part as your agreement with the statement tick alternatives as:

“1” - Strongly Disagree, “2” – Disagree, “3” – Neutral, “4” – Agree, “5” – Strongly Agree

Code	**Behavioral Intention**	**1**	**2**	**3**	**4**	**5**
BI1	I believe it is useful for me to adopt interest-free banking services					
BI2	I would highly recommend others to adopt the service from an Interest-free banking practices					
BI3	I never think of switching off the Interest-free banking usage					
BI4	My general intention to use interest-free banking practices is high					

Code	**Uncertainty**	**1**	**2**	**3**	**4**	**5**
UNC1	My usage of Interest-free banking practice is influenced by monetary policy issued by the central bank of Ethiopia					
UNC2	My usage of Interest-free banking practice is influenced by high inflation rate in the country					
UNC3	My usage of Interest-free banking practice is influenced by procedures/ regulations issued by bank					
UNC4	My usage of Interest-free banking practice is influenced by profitability of the bank					
UNC5	My usage of Interest-free banking practice is influenced by employee turnover rate of the bank					

Code	**Relative Advantage**	**1**	**2**	**3**	**4**	**5**
RAD1	Using Interest-free Banking products and services improved the quality of my financial dealing					

RAD2	Interest-free Banking operation is in line with Sharia principles					
RAD3	Investments are more secure in Interest-free banking service providing by the bank					
RAD4	I feel using Interest-free banking product will increase my revenue					
RAD5	Interest-free Banking is a convenient way to manage my finance					

Code	**Compatibility**	**1**	**2**	**3**	**4**	**5**
CPT1	Interest-free Banking fits with my banking needs					
CPT2	Interest-free Banking fits with my habits of using bank					
CPT3	Interest-free Banking is well suited to my religious belief					
CPT4	Using Interest-free banking services fits well with the way I like to manage my finance					

Code	**Social Influence**	**1**	**2**	**3**	**4**	**5**
SIF1	People I consider important can influence me to use Interest-free banking					
SIF2	Information I get from religious institutions about Interest-free Banking practices influenced me to use the service					
SIF3	Most of my families/friends/colleagues who have become customers of Interest-free banking agree that Interest-free banking is better than the conventional one					
SIF4	Advertising by the bank influence me to open Interest-free banking account					

Code	**Awareness**	**1**	**2**	**3**	**4**	**5**

AWR1	I have information about the depository, investment and financing products of Interest-free Banking					
AWR2	I know the distinction between Interest-free Banking and its conventional banking					
AWR3	I know the instruments used in financing products offered by the bank					
AWR4	I have enough knowledge about using Interest-free Banking products					
AWR5	I have enough knowledge about the features and the benefit of Interest-free Banking products					
AWR6	The bank should make advertisements well so that the public can understand about the interest-free banking services					

Part IV – Open Ended Questions

What is your opinion as a customer so that the interest-free banking service can reach a better level in the future than it is now?

1.1 Your own contribution

____

____

____

1.2 Your comments to Oromia Bank

____

____

____

1.3 For the Sharia advisory committees

1.4 For the society (both Muslims and non-Muslims)

1.5 For Regulatory and policy makers (National Bank of Ethiopia)

አዲስ አበባ ዩኒቨርስቲ

ቢዝነስ እና ኢኮኖሚክስ ፋከልቲ

የቢዝነስ አመራር ማስተርስ ፕሮግራም

የደንበኞች መጠይቅ

ውድ ምላሽ ሰጪ ለጊዜያችሁት አስቀድሜ ላመሰግናችሁ እፈልጋለሁ። ስሜ ኒያ ታዬ እባላለሁ በአዲስ አበባ ዩኒቨርሲቲ የ MBA ተማሪ ነኝ። በኦሮሚያ ባንክ ከወለድ ነፃ የባንክ ደንበኞች የባህርይ ፍላጎት ውሳኔ ላይ ጥናት እያደረግሁ ነው። መረጃው ተመራማሪው በኦሮሚያ ባንክ አ.ማ. ጉዳይ ላይ ከወለድ ነፃ የባንክ ደንበኞች የባህርይ ፍላጎት ውሳኔዎችን መገምገም በሚል ርዕስ ባቀረቡት ጥናት ላይ የሚውል ይሆናል። ማንኛውም የተሰበሰበ መረጃ ለአካዳሚክ ዓላማ ብቻ ጥቅም ላይ ይውላል። በዚህ ምክንያት ይህንን መጠይቅ በቅንነት ለመሙላት ያደረጋችሁት አስተዋፅዖ ጥራት ያለው የጥናት ወረቀት ለማዘጋጀት ይረዳል። ስለዚህ እባክዎን የሚከተለውን ጥያቄ እንዲመልሱ እና ትክክለኛ ወይም የተሳሳተ መልስ እንደሌለ እንዲያውቁ በአክብሮት እንጠይቃለን። ለጊዜዎ እና ለትክክለኛ ምላሽዎ አስቀድሜ አመሰግናለሁ።

አስፈላጊ ከሆነ በነዚህ አድራሻዎች ያገኙኝ

ስልክ፡ +251-911-85-65-74

ኢ-ሜል nan.ttadesse@gmail.com

<u>ማሳሰቢያ</u>

- ስሞትን መፃፍ አያስፈልግም
- በሚያስፈልግበት ቦታ ከአንድ በላይ መልስ መምረጥ ይቻላል

ክፍል I - <u>አጠቃላይ መረጃ</u>

1. ጾታ

□ ወንድ □□ ሴት

2. ዕድሜ (በአመታት)

□ 18-25 □□ 26-35 □□36-54 □□ከ 46 በላይ

3. ሃይማኖት

□ ሙስሊሙ □□ ሙስሊም ያልሆነ

4. ትምህርት

□ማንበብ እና መፃፍ □□ የመጀመሪያ ደረጃ ትምህርት ሁለተኛ ደረጃ ትምህርት

□ ዲፕሎማ/ቲኢቪቲ □□ የመጀመሪያ ዲግሪ እና ከዚያ በላይ ያልተማረ

5. የስራ/ መተዳደሪያ ሁኔታ

□ የመንግስ ሰራተኛ □□ የግል መስሪያቤት ሰራተኛ □□ የራስ የግል ስራ

□ ስራ የሌለው ጡረታ የወጣ

6. ገቢ (በአንድ ወር)

□ ከ 5,001 በታች □□ 5,001 - 10,000.00 □□ ከ 10,000.00 በላይ

ክፍል ΙΙ - <u>የአሁኑ የ ወለድ ነፃ ባንክ አገልግሎት አጠቃቀም ሁኔታ</u>

1. የባንኩን አገልግሎት የመጠቀም ልምድ

□ ከ 1 አመት በታች □□ 1-3 አመት □□ ከ 3 አመት በላይ

2. የባንክ አገልግሎቱን በምን ያህል ጊዜ ይጠቀማሉ?

□ በየቀኑ □□ በየሳምንቱ □□ በየወሩ □□ አልፎ አልፎ

3. ከባንኩ ጋር የተገናኙበት ምክንያት

□ ገንዘብ መቆጠብ □□ ለብድር □□ ኢንቨስትመንት □□ ሁሉም

4. የትኛውን ቅርንጫፍ/መስኮት ይጠቀማሉ

□ ከወለድ ነፃ ቅርንጫፍ □□ ከወለድ ነፃ መስኮት

□ ከነባሩ መስኮት □□ ሁሉም

5. አሁን የትኛውን ከወለድ ነፃ የባክ አገልግሎት ሂሳብ የሚጠቀሙት ነው

□ ዋዲያህ □□ ሙዳራባህ ኢንቨስትመንት □□ አማና

□ ሙዳራባህ የቁጠባ □□ ቃርድ □□ ሁሉም

ክፍል III - <u>አስተሳሰብ ላይ ተፅዕኖ የፈጠሩ ነገሮች</u>

ይህ ክፍል በስድስት ክፍሎች የተከፈለ ሲሆን በእያንዳንዱ ክፍል ውስጥ እርስዎ ለመሙላት ያሰቡትን ከወለድ ነፃ የባንክ አሠራር በተመለከተ የደንበኞችን አመለካከት ምን እንደሚወስኑ የሚያመለክት መግለጫ አለ. በዚህ ክፍል ከመግለጫው ጋር እንደ ስምምነትዎ አማራጬችን ምልክት ያድርጉበት።

1 በጣም አልስማማም 2 አልስማማም 3 ገለልተኛ 4 እስማማለሁ 5 በጣም እስማማለሁ

መለያ	**ባህሪ ዓላማ**	**1**	**2**	**3**	**4**	**5**
BI1	ከወለድ ነፃ የባንክ አገልግሎት የመቀበል ይጠቅመኛል ብዬ አምናለሁ					
BI2	ሌሎች ሰዎች ከወለድ ነፃ የባንክ አገልግሎት እንዲቀበሉ እመክራለሁ					
BI3	ከወለድ ነፃ የባንክ አጠቃቀምን ለመተው በፍጹም አላስብም					
BI4	በአጠቃላይ ከወለድ ነፃ የባንክ አሰራርን ለመጠቀም ፍላጎቴ ከፍተኛ ነው					

መለያ	**አለመተማመን**	**1**	**2**	**3**	**4**	**5**
UNC1	በኢትዮጵያ ብሄራዊ ባንክ የሚያወጣው የገንዘብ ፖሊሲ ለእኔ ከወለድ ነፃ የባንክ አጠቃቀም ላይ ተፅዕኖ ያሳድራል					
UNC2	በሀገሪቱ ውስጥ ባለው ከፍተኛ የዋጋ ግሽበት የእኔ ከወለድ ነፃ የባንክ አጠቃቀሜ ላይ ተፅዕኖ ያሳድራል					
UNC3	በባንክ በሚወጡ መመሪያዎች/ደንቦች የእኔ ከወለድ ነፃ የባንክ አጠቃቀሜ ላይ ተፅዕኖ ያሳድራሉ					
UNC4	የባንኩ ትርፋማነት የእኔ ከወለድ ነፃ የባንክ አጠቃቀሜ ላይ ተፅዕኖ ያሳድራል					
UNC5	የባንኩ ሰራኞች ዝውውር የእኔ ከወለድ ነፃ የባንክ አጠቃቀሜ ላይ ተፅዕኖ ያሳድራል					

መለያ	አንጻራዊ ጥቅም	1	2	3	4	5
RAD1	የወለድ ነፃ የባንክ ምርቶችን እና አገልግሎቶችን መጠቀም የእኔን የፋይናንስ ግንኙነት ጥራት አሻሽሏል					
RAD2	የባንኩ ከወለድ ነፃ የባንክ አገልግሎት አሠራር ከሸሪዓ መርሆች ጋር የሚስማማ ነው					
RAD3	ኢንቨስትመንቶች በባንኩ በሚያቀርበው የወለድ ነፃ የባክ አገልግሎት የበለጠ ደህንነታቸው የተጠበቀ ነው					
RAD4	ከወለድ ነፃ የባንክ አገልግሎት መጠቀሜ ገቢዬን እንደሚጨምር ይሰማኛል					
RAD5	ከወለድ ነፃ የባንክ አገልግሎት የእኔን ፋይናንስ ለማስተዳደር ምቹ መንገድ ነው					

መለያ	ተስማሚነት	1	2	3	4	5
CPT1	ከወለድ ነፃ የባንክ አገልግሎት ከባንክ ፍላጎቶቼ ጋር ይስማማል					
CPT2	ከወለድ ነፃ የባንክ አገልግሎት ከባንክ የመጠቀም ልምዶች ጋር ይስማማል					
CPT3	ከወለድ ነፃ የባንክ አገልግሎት ከምከተለው ሀይማኖት ጋር ተስማሚ ነው					
CPT4	ከወለድ ነፃ የባንክ አገልግሎቶችን መጠቀሜ የራሴን ፋይናንስ ከማስተዳደር መንገድ ጋር ይስማማል					

መለያ	**ማህበራዊ ተፅዕኖ**	**1**	**2**	**3**	**4**	**5**
SIF1	አስፈላጊ ነው የምላቸው ሰዎች ከወለድ ነፃ የባንክ አገልግሎት እንድጠቀም ተጽዕኖ ሊያሳድሩብኝ ይችላሉ					
SIF2	ከወለድ ነፃ የባንክ አሰራርን በተመለከተ ከሀይማኖት ተቋማት የማገኘው መረጃ አገልግሎቱን እንድጠቀም ተፅዕኖ አሳድሮብኛል					
SIF3	ከወለድ ነፃ የባንክ አገልግሎት ደንበኞች የሆኑ አብዛኛዎቹ ቤተሰቦቼ/ጓደኞቼ/ባልደረቦቼ ከወለድ ነፃ የባንክ አገልግሎት ከመደበኛው የተሻለ እንደሆነ ይስማማሉ					
SIF4	በባንኩ የሚደረግ ማስታወቂያ ከወለድ ነፃ የባንክ አካውንት እንድከፍት ተጽዕኖ ያሳድርብኛል					

መለያ	**ግንዛቤ**	**1**	**2**	**3**	**4**	**5**
AWR1	ስለ ከወለድ ነፃ የባንክ አገልግሎት ተቀማጭ፣ የኢንቨስትመንት እና የፋይናንስ ምርቶች መረጃ አለኝ					
AWR2	በወለድ ነፃ የባንክ አገልግሎት እና በተለመደው የባንክ አገልግሎት መካከል ያለውን ልዩነት አውቃለሁ					
AWR3	በባንኩ የሚቀርቡ የብድር/የፋይናንሲንግ ምርቶችን አገልግሎቶች ምን ምን እንደሆኑ አውቃለሁ					
AWR4	ስለ የወለድ ነፃ የባንክ አገልግሎት ምርቶች አጠቃቀም በቂ እውቀት አለኝ					
AWR5	ስለ የወለድ ነፃ የባንክ አገልግሎት ባህሪያት እና ጥቅሞች በቂ እውቀት አለኝ					
AWR6	ስለ የወለድ ነፃ የባንክ አገልግሎት ህብረተሰቡ ግንዛቤ እንዲኖረው ባንኩ ማስታቂያዎችን በደንብ መስራት አለበት					

ክፍል IV - <u>ክፍት ጥያቄዎች</u>

ከወለድ ነፃ የባንክ አገልግሎት ወደፊት አሁን ካለበት የተሻለ ደረጃ ላይ እንዲደርስ እንደ ደንበኛ እርሶ ምን አስተያየት አሎት?

1.1 የእርስዎ አስተዋፅዖ

1.2 ለኦሮሚያ ባንክ የሚሰጡት አስተያየት

1.3 ለሸሪዓ አማካሪ ኮሚቴዎች የሚሰጡት አስተያየት

1.4 ለማህበረሰቡ (ሙስሊም ለሆኑም ሙስሊም ላሆኑም ሰዎች) የሚሰጡት አስተያየት

1.5 ለቁጥጥር እና ፖሊሲ አውጪዎች (የኢትዮጵያ ብሄራዊ ባንክ) የሚሰጡት አስተያየት

Yuunivarsiitii Addis Ababa

Faakulttii Bizinesii fi Diinagdee

Sagantaa Mastersii Bulchiinsa Bizinesii

Gaaffii maamiltootaa

Kabajamaa Deebii kennituu yeroo nuuf kennitaniif dursee isin galateeffachuun barbaada. Maqaan koo Niya Taye jedhama Yunivarsiitii Addis Ababa keessatti barattuu MBA (Finance) ti. Niyyaa Amala Maamiltoota baankii Dhala irraa bilisa ta'an Baankii Oromiyaa irratti qorannoo gaggeessaa jira. Odeeffannoon kun qorannoo qorataan kun mata duree "Assessing the Determinants of Amavioral Intention of Interest-free banking Customers in case of Oromia Bank S.C " jedhuun uwwisaa jiru keessatti fayyadama.
. Odeeffannoon walitti qabame kamiyyuu kaayyoo barnootaa qofaaf kan oolu ta'a. Kanaafuu, gaaffilee kana amanamummaadhaan guutuu keessatti gumaachi keessan waraqaa qorannoo qulqullina qabu oomishuuf ni gargaara. Kanaaf gaaffii armaan gadii kana gaarummaadhaan deebisaa deebii sirrii fi dogoggoraa akka hin jirre beeki. Yeroo fi deebii ariifataa nuuf kennitaniif dursinee galatoomaa.

Yoo barbaachisaa ta'e teessoo kanneeniin na qunnamaa
Bilbila: +251-911-85-65-74 irratti
Imeelii nan.ttadesse@gmail.com irratti erga

Yaadachiisaa

- Yeroo duutu barreessuun hin barbaachisu
- Bakka barbaachisaa ta'etti deebii tokkoo ol filachuu dandeessa

Kutaa I - Odeeffannoo waliigalaa

1. Saala

 Dhiira Dubartii

2. Umurii (waggaadhaan)

 18-25 26-35 36-45 Umurii 46 ol

3. Amantii

 Muslima Muslima hin taane

4. Barnoota

 Dubbisuu fi barreessuu barnoota sadarkaa tokkoffaa

 barnoota sadarkaa 2ffaa Dippiloomaa/TEVT

□ Digirii jalqabaa fi isaa ol □□ Kan hin baranne

5. Sadarkaa ogummaa

□ Hojjetaa mootummaa □□ Hojjetaa waajjira dhuunfaa

□ Ofiin hojjechiisaa □□ Hojii dhabee □□ Soorama bahe

6. Galii (ji'atti)

□ 5,001 gadi □□ 5,001 - 10,000.00 □□ 10,000.00
ol

Kutaa I I - Haala yeroo ammaa tajaajila baankii dhala irraa bilisa ta'e fayyadamuu

1. Muuxannoo itti fayyadama tajaajila baankii

□ Waggaa 1 gadii □□ Waggaa 1-3 □□ Waggaa 3 ol

2. Ji'a tokko keessatti yeroo meeqa tajaajila baankii fayyadamtu?

□ Guyyaa guyyaa □□ Torbanitti □□ji'a ji'aan Darbee darbee

3. Sababa baankii qunnamuuf

Maallaqa qusachuuf □□ Liqiidhaaf Invastimantii Hunda

4. Damee/foddaa kam fayyadamtu?

□ Damee dhala irraa bilisa ta'e □□ Foddaa fedhii irraa bilisa ta'e

□ Foddaa Jiru Irraa □□ Hunda

5. Yeroo ammaa tajaajila IFB isa kam fayyadamaa jirtu?

□ Wadiyah Invastimantii Mudarabah Amana

□ Qusannoo Mudarabah □□ Kaardii □□ Hunda

Kutaa III - Wantoota yaada irratti dhiibbaa geessisan

Kutaan kun kutaalee ja'atti kan qoodame yoo ta'u, kutaa tokkoon tokkoon isaanii keessatti ibsi ilaalcha maamilchi sirna baankii dhala irraa bilisa ta'e kan ati guutuuf yaadde irratti qabu maaltu akka murteessu agarsiisu jira. Kutaa kana keessatti akkaataa waliigaltee ibsicha waliin qabduun filannoowwan ilaali.

1 "cimsee walii hin galu" 2 "walii hin galu" 3 "giddu galeessa" 4 "walii galuu" 5 "cimsee walii gala"

Herrega	Kaayyoo amala	1	2	3	4	5

BI1	Tajaajila baankii dhala irraa bilisa ta'e argachuun na fayyada jedheen amana					
BI2	Namoonni biroo tajaajila baankii dhala irraa bilisa ta'e akka fudhatan nan gorsa					
BI3	Baankii dhala irraa bilisa ta'e dhiisuuf gonkumaa hin yaadu ture					
BI4	Walumaagalatti sirna baankii dhala irraa bilisa ta'e fayyadamuuf fedhii qaba					

Herrega	**Amantaa dhabuu**	**1**	**2**	**3**	**4**	**5**
UNC1	Imaammanni maallaqaa Baankii Biyyaalessaa Itoophiyaa baase itti fayyadama baankii dhala irraa bilisa ta'e irratti dhiibbaa qaba					
UNC2	Qaala'iinsi jireenyaa olaanaan biyyattii keessatti mul'ate itti fayyadama baankii dhala irraa bilisa ta'e irratti dhiibbaa qaba					
UNC3	Qajeelfamni/seera baankichi baase itti fayyadama baankii dhala irraa bilisa ta'e irratti dhiibbaa ni qabaata					
UNC4	Bu'aan baankichaa itti fayyadama baankii dhala irraa bilisa ta'e irratti dhiibbaa qaba					
UNC5	Jijjiirraan hojjettoota baankii itti fayyadama baankii dhala irraa bilisa ta'e irratti dhiibbaa qabaata					
Herrega	**Faayidaa fira**	**1**	**2**	**3**	**4**	**5**
RAD1	Oomishaalee fi tajaajiloota baankii dhala irraa bilisa ta'e fayyadamuun qulqullina hariiroo maallaqaa koo fooyyessee jira					
RAD2	Tajaajilli baankii dhala irraa bilisa ta'e baankichi kennu seera Shari'aa waliin kan walsimudha					

RAD3	Invastimantiiwwan tajaajila baankii dhala irraa bilisa ta’e baankichi dhiyeessuun caalaatti wabii qaba					
RAD4	Tajaajila baankii dhala irraa bilisa ta’e fayyadamuun galii koo akka dabalu natti dhaga’ama					
RAD5	Baankii dhala irraa bilisa ta’e karaa mijataa faayinaansii koo bulchuuf gargaarudha					
Herrega	**Walsimsiisuun**	**1**	**2**	**3**	**4**	**5**
CPT1	Baankii dhala irraa bilisa ta'e fedhii baankii kootiif ni mijata					
CPT2	Tajaajilli baankii dhala irraa bilisa ta’e gocha baankii waliin kan walsimu ta’uu ibsameera					
CPT3	Baankii dhala irraa bilisa ta’e amantii armaan gadii waliin kan walsimudha					
CPT4	Tajaajila baankii dhala irraa bilisa ta’e fayyadamuun akkaataa ani faayinaansii mataa kootii itti bulchu waliin kan walsimudha					
Herrega	**Dhiibbaa hawaasummaa**	**1**	**2**	**3**	**4**	**5**
SIF1	Namoonni tajaajila baankii dhala irraa bilisa ta’e akkan fayyadamu dhiibbaa narratti gochuun barbaachisaa dha					
SIF2	Odeeffannoon dhaabbilee amantii irraa waa’ee sirna baankii dhala irraa bilisa ta’e argadhu tajaajila kana akkan fayyadamuuf dhiibbaa na taasiseera					
SIF3	Maatiin/hiriyoonni koo/hiriyoonni koo maamiltoota baankii dhala irraa bilisa ta’an irra caalaan isaanii baankii dhala irraa bilisa ta’e					

	baankii idilee caalaa gaarii ta'uu isaa irratti walii galu.					
SIF4	Beeksisni baankii kun herrega baankii dhala irraa bilisa ta'e akkan banuuf dhiibbaa na godha					
Herrega	**Hubannoo**	**1**	**2**	**3**	**4**	**5**
AWR1	Waa'ee kuufama baankii dhala irraa bilisa ta'e, invastimantii fi oomishaalee faayinaansii odeeffannoo qaba					
AWR2	Garaagarummaa baankii dhala irraa bilisa ta'ee fi baankii idilee gidduu jiru nan beeka					
AWR3	Tajaajilli oomisha liqii/faayinaansii baankichi kennu maal akka ta'e nan beeka					
AWR4	Waa'ee itti fayyadama oomishaalee baankii dhala irraa bilisa ta'an irratti beekumsa gahaa qaba					
AWR5	Waa'ee amalaafi faayidaa tajaajila baankii dhala irraa bilisa ta'e irratti beekumsa gahaa qaba					
AWR6	Baankichi waa'ee tajaajila baankii dhala irraa bilisa ta'e ummanni akka hubatuuf beeksisa haala gaariin hojjechuu qaba					

Kutaa IV - Gaaffiiwwan banaa

Fuulduratti tajaajilli baankii dhala irraa bilisa ta'e akka fooyya'uuf akka maamilaatti yaadni keessan maali?

1.1 Gumaacha kee

____

____

____

1.2 Yaada Baankii Oromiyaaf kenname

____

____

____

1.3 Koreewwan Gorsaa Shari’aa

1.4 Hawaasa irraa (Musliimaa fi Muslima hin taaneef)

1.5 Qaamolee Dambii fi Imaammata (Baankii Biyyaalessaa Itoophiyaa)