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FACTORS INFLUENCING THE CUSTOMERS ADOPTION OF INTEREST FREE BANKING IN WEGAGEN BANK

A thesis submitted to the Graduate program of the Department of Management and the College of Business and Economics of Addis Ababa University

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By

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This is to certify that Kedir Abas Rehan has carried out his research work on the topic entitled "Analysis of Factors Influencing the Customers of Interest Free Banking in Wegagen Bank" is his original work and is suitable for submission for the award of Executive Master Degree in Business Administration.

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Statement of Declaration

I the undersigned, declare that this research project is my own work and effort. It has not been submitted anywhere for any award. I also declare that all sources of materials used for the study have been duly acknowledged.

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List of Abbreviations

ANOVA	Analysis of Variance
SPSS	Statistical Package for Social Science
WB	Wegagen Bank
NBE	National Bank of Ethiopia
OIB	Oromiya International Bank
CBE	Commercial Bank of Ethiopa
IFB	Interest Free Banking
IB	Islamic Banking
IBS	Islamic Banking Service

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Abstracts

Interest Free Banking has been a new concept in Ethiopia until 2011. In Ethiopia, it has been almost six years when the first Interest free bank makes its start. Interest free banking is an alternative banking system based on Islamic principles doing the business side by side the conventional banking system. For this alternative IFB business, Wegagen Bank has to know the awareness, understanding and perceptions of its customers towards the product and service of IFB. The purpose of this research is to examine the level of awareness, understanding and perceptions of Wegagen customers towards interest free banking product and service. In addition, this study also aims to investigate if any demographic factors influence the awareness, understanding and perceptions of interest free banking products and services of Wegagen Bank customers. A total of 180 respondents from different branches in Addis Ababa are selected for the purpose of this study. For the analysis, one way ANOVA and Pearson Correlation Coefficient was adopted to analyze the results. The results show that the level of awareness towards Islamic banking deposit products are considered as high however the level of awareness for financing products are very low and it needs awareness campaign in promoting the features of IFB financing to the target customers to enhance the level of awareness for financing products. The understanding level towards Islamic products is very high except the understanding for Islamic banking is available for Muslims and non-Muslims is very low and the bank should do in increasing the understanding of Muslim customers by promoting the product is available for both Muslim and Non-Muslim customers as far as the sheria principle is respected. As for perception, the bank should exert its maximum effort in segregating the IFB business from the conventional business because majority of the respondents perceive that the service of IFB is similar to conventional banking system and having this perception by customers would adversely affect the growth of the business by repealing potential customers from the bank. Another correction action that will be taken by the bank to have the right perception by the customers is that service delivery for IFB products should be right and do the business in compliance with the religion principle as well as the NBE directives.

Key Words: *Factors Influencing, Wegagen Bank, Interest Free Banking*

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Chapter One:

1.1 Introduction

Interest free banking system has been introduced in Ethiopia after the enactment of Directive SBB/51/ 2011 by the NBE to do banking business according to Islamic principle. The researcher has intended to conduct a study factors affecting customers of Interest Free Banking in Wegagen Bank considering the level of awareness of customers about the IFB products, understanding of customers about IFB products and the perception of customers about IFB products. This chapter has been organized into seven parts, the first and the second part has dealt with background of the study and problem statement respectively, the third and fourth unit of the chapter has dealt with research question and objective of the study respectively and the fifth and the last unit has incorporated significance of the study, scope of the study and hypothesis of the study respectively.

1.2 Research Background

1.2.1 History of Interest Free (Islamic) Banking in the World

Islamic banking system has been introduced in the last quarter of the twentieth century, while the concept of Islamic banking system is old. The Islamic banking system (IBS) had been introduced due to the reason that there was the need of financial service for Muslim customers to satisfy the needs and demands of Muslims, because the conventional banking industry is entirely based on the interest based system and that is prohibited in the Islamic shari'ah rules. So the Muslims need such institute which provides them the Islamic platform for their financial transactions. The Islamic finance is defined as a financial service or product principally implemented to comply with the main tenets of Shari'ah (or Islamic law). In turn, the main sources of Shari'ah are the Holy Quran, Hadith, Sunna, Ijma, Qiyas and Ijtihad (Gait and Worthington, 2007).

Islamic banking based on certain principles laid by Islamic shariyah, core pillar of which is avoiding riba (interest), Gharrar (uncertainty) and maysir (gambling). Principles of Islamic banking are based on risk sharing and embarked earning without risk sharing as unjust. Today, Islamic banking industry worth reached milestone of US$4.5trillion (Siddiqui, 2001).

1.2.2 History of Interest Free Banking in Ethiopia

In Ethiopia, responding to a strong public demand, the National Bank of Ethiopia (NBE) was expected to approve a directive that paves the way for the establishment of what was deemed as the first Islamic bank in Ethiopia. A circulated draft of the NBE directive has allowed Ethiopian nationals to establish a bank exclusively engaged in interest-free banking, however, that hope was short living as the finally issued directive does not allow the establishment of full-fledged Islamic financial institution (Mohammed, 2012). Rather, the final directive, SBB/51/2011, only authorizes conventional banks to market and launch their products with the introduction of 'windows' alongside of conventional operation "in a manner consistent with Islamic finance principles and mode of operation". Therefore, Zemzem, a prospective new bank, expected to join the banking industry as a full-fledged interest-free bank, was unable to start operations as the supervisory directive requires that interest-free banking to be given alongside conventional banking services (Abreham Redi, 2017).

Subsequent to the issuance of the working directive, SBB/51/2011, the NBE has granted the IFB service license to Oromia International Bank S.C (OIB) on September 16, 2013. Same license is granted to the Commercial Bank of Ethiopia (CBE) on September 17, 2013. Accordingly, CBE using its 23 pilot branches and OIB using its 24 branch offices launched IFB operation on October 24, 2013 and December 16, 2013 respectively. On May 1, 2014, United Bank S.C. began providing IFB service and recently, Cooperative Bank of Oromia, Nib International Bank, Abay Bank and Wegagen Bank have joined the IFB business by giving depository products for their customers (Abreham Redi, 2017).

1.2.3 History of Interest Free Banking In Wegagen Bank

Wegagen bank has started the IFB service since April, 2016 having a dedicated window at all branches of the bank. The bank decision to start this new service is based on the rational to retain the existing IFB targeted customers, to attract new customers who will seek Islamic services and to apply financial inclusion for those who are marginalized in the financial sector due to their religion by doing this the bank has an intention of maximizing its benefit. By providing this service the bank has also planned to mobilize more resources and to give financing to the targeted customers based on Islamic principle and eventually to expand its income base.

Enhancing financial services through continuous product development efforts and diversification forms a vital component of successful commercial banking. Wegagen bank duly understands the imperative to strongly engage in eliciting customer needs and nurturing it by as much innovative solutions as possible in terms of developing new products and services. In line with this general understanding, the bank has been striving to take advantage of all opportunities made available by the central bank as well as policy provision and directions of the government. An area of action for commercial banks in this regard offered by the central bank, among a few other provisions, is the directives which allow banks to provide interest free banking products and services.

Currently, a significant number of conventional banks in Ethiopia opened interest free banking windows. This is mainly because of recent developments in banking sectors and more importantly the growing need by Muslims to have banking services that comply with their belief.

1.2.4 Principle of Interest Free Banking

The Islamic commercial law is actually based on four basic principles. The first principle of Islamic business is based on profit and loss sharing and the second one is based on fixed service fees and charges and the third is based on free of cost and no charges. The other principles are changing with the situation of the business and its operation (Bellalah & Ellouz, 2004). The main and important models of Islamic banking system are as follows:

- **Mudharabah** is a venture capital that funds an entrepreneur who provides labor while the banks provide finance so that both profit and risk are shared. Such participatory arrangements between capital and labor reflect the Islamic view that the borrower must not bear all the risk or cost of a failure. As a result it brings balanced distribution of income and not allowing the lender to monopolize the economy.

- **Ijara wa Iqtina** is similar to real estate leasing. Islamic banks handle loans for vehicles in a similar way like selling the vehicle at a higher-than-market price to the debtor and then retaining ownership of the vehicle until the loan is paid.

- **Musharakah** is a joint enterprise or partnership structure with profit and loss sharing instead of interest-bearing loans. It allows each party to involve in a business to share in the profits and risks. Instead of charging interest as a creditor, the financier will achieve a return in the form of a portion of the actual profits earned, according to a predetermined ratio.

- **Murabahah** is the sale on the profit which is mutually agreed by both parties. It is actually a request which is set by the client to the Islamic bank to leverage certain services or goods for him and in return, the bank provides a definite profit to the client over the cost of the services or goods.

- **Wadiah** is safekeeping of a deposit. A bank is deemed as a keeper and trustee of funds. A person deposits funds in the bank and the bank guarantees refund of the entire amount of the deposit, or any part of the outstanding amount, when the depositor demands it (Sudipta Roy, June 2014).

1.3 Problem Statement

Islamic banking has been given by ten banks in Ethiopia with a dedicated window in conventional branches. The total deposit of IFB by all banks has reached Birr 25 Billion. Wegagen bank has started giving this service since 2016 and it is almost six years now since IFB was first gained its appearance back in 2013, when CBE and OIB commenced its operations. In many literatures, it was found that customers are not aware of Islamic banking and if they are aware of IFB they do not understand the principle of Islamic banks. Clear understanding of consumers' awareness, understanding and perception will help the bank to create appropriate marketing strategies to take a larger share of the financial market. This is because awareness, understanding and perceptions are the foundation of usage of Islamic banking products and services. If the customers are not aware and do not understand about the Islamic banking products, they would not take the initiative to adopt Islamic banking products. So, in order to attract more customers to adopt Islamic banking products, it is rational to investigate to the root of the problem which is the consumers' awareness, understanding and perception in relation to the usage of Islamic banking products and services by consumers.

Table 1 shows the statistic of total Wegagen bank conventional deposits and total IFB deposits from year 2016 to 2018

Table 1.1 1 :Table Conventional and IFB Deposit

Year	Total Conventional Deposit	Total IFB Deposit	The gap b/n conventional and IFB deposit
2016	13,483,609,000	20,944,410.51	13,462,664,589.49
2017	17,685,180,000	155,831,017.84	17,529,348,982.16
2018	23,155,267,754.79	409,133,245.21	22,746,134,509.58

Source: The bank's book as of June 30.

Table 1.11 show that the total Wegagen IFB deposits are increasing over the years. The total IFB deposit is made up from Muslim depositors. However, the total conventional bank deposits are still higher than IFB deposits. The difference between the total conventional bank deposits and total IFB deposits is very high. For example in year 2018, total conventional bank deposits is Birr 23,155,267,754.79 and total IFB deposits Birr 409,133,245.21, which means the total gap of the deposit is Birr 22,746,134,509.58. From this statistic, it is very obvious that the gap between conventional banks and Islamic banks are very huge as the difference in total deposits in 2018 is around 22,746,134,509.58. Even though Islamic bank deposits are increasing over the years, but it is not great enough to catch up with the conventional banks or to smaller the gap between them. This also tells us that a majority of banking users still have not adopted or might not even aware of the Interest Free Banking system particularly among the Muslims in Ethiopia.

1.4 Research Questions

The study tried to answer the following questions pertained the customer adoption of interest free banking in Wegagen Bank Share Company taking awareness, understanding and perception as studied factors

- Are the customers in WB aware of Interest free Banking products and services?
- Are the customers in WB understood about the basic principles of Interest Free banking principles?
- What are the perceptions of customers towards Interest Free banking?
- Are the demographic factors (age, religions, education, occupation, income) influences the awareness of Interest Free Banking products and services among customers in WB?

1.5 Objective of the Study

The objective of the study has been:

- To examine the level of awareness of Wegagen Bank customers on IFB products and services.
- To evaluate the understanding level of WB customers for IFB principles.
- To determine the perceptions of customers in WB towards IFB products.
- To investigate if any demographic factors (age, religions, education, occupation and income) influence the awareness, understanding and perceptions of Islamic Banking products and services among the customers of WB.

1.6 Significance of the Study

This study focuses on the awareness, understanding, perceptions and demographic factors that influence the customers of WB for Interest free Banking products and services. As we know that, Ethiopia is a multi-religion country. Ethiopian government statistics in 2007 noted that about 40 percent of the population was Muslim, which means that about 40 percent of the population in Ethiopia is a target market for IFB products. This huge market is vital to the survival of Interest Free Banking service of Wegagen Bank. The Muslims market is huge and has substantial potential for Islamic Bank. If this market group keeps on ignoring the existence of Interest free bank service in Wegagen Bank, IFB will have difficulties to compete with conventional banks. By attracting potential customers, it can enhance the long term survival of interest free banking service.

By knowing the level of awareness of customers in WB towards IFB services, the bank could actually design or set up different marketing campaigns for the potential customers based on their level of awareness. Besides this, by knowing the level of understanding of customers towards IFB products, the bank could use simpler words when approaching potential customers if the customers do not have much understanding towards IFB products. In addition, by knowing the customer perceptions towards IFB services, the bank could maintain the perception if the perceptions are favorable to IFB service or otherwise, change the perceptions towards IFB service if the perceptions are not favorable.

In short, the bank could use the findings from this study to enhance their knowledge on the IFB banking users. This study also can assist the bank in formulating different strategies and policies to attract more IFB users by knowing the level of awareness, understanding and perceptions towards IFB services.

1.7 Scope and Limitation of the Study

The study had been conducted at Wegagen Bank in Addis Ababa city on branches which have an independent and dedicated IFB window. The findings of this study are based entirely upon the research conducted in the Addis Ababa city and hence may not be applicable to other areas and regions. It primarily targeted account holders of interest free banking. Distinctively, the study evaluated the awareness of interest free banking, understanding and perception of customers about IFB product, and investigated if any demographic factors (age, religions, education, occupation and income) influence the awareness, understanding and perceptions of Islamic banking products and services among the customers of WB using data that is collected for the study.

1.8 Hypothesis of the Study

1.8.1 Awareness of IFB products among the customers of Wegagen Bank

$H_{1:}$ There is significant relationship between age and awareness of Interest free banking products and services among customers of the bank.

H_1: There is significant relationship between religion and awareness of Interest free banking products and services among the customer of the bank.

H_1: There is significant relationship between educational level and awareness of Interest free banking products and services among the customer of the bank.

$H_{1:}$ There is significant relationship between occupation and awareness of Interest free banking products and services among the customer of the bank.

H_1: There is significant relationship between income and awareness of Islamic banking products and services among the customers of the bank.

1.8.2 Understanding of Islamic banking products and Services among the Customers of Wegagen Bank.

H_1: There is significant relationship between age and understanding of Interest free banking products and services among the customers of the bank.

H_1: There is significant relationship between religion and understanding of Interest free banking products and services among the customers of the bank.

H_1: There is significant relationship between educational level and understanding of Islamic banking products and services among the customers of the bank.

H_1: There is significant relationship between occupation and understanding of Interest free banking products and services among the customers of the bank.

H_1: There is significant relationship between income and understanding of Interest free banking products and services among the customers of the bank.

1.8.3 Perceptions of Islamic banking products and services among the customers of Wegagen Bank

H_1: There is significant relationship between age and perception of Interest free banking products and services among the customers of the bank.

H_1: There is significant relationship between religion and perception of Interest free banking products and services among the customers of the bank.

H_1: There is significant relationship between educational level and perception of Interest free banking products and services among the customers of the bank.

H_1: There is significant relationship between occupation and perception of Interest free banking products and services among the customers of the bank.

H_1: There is significant relationship between income and perception of Interest free banking products and services among the customers of the bank.

Chapter Two: Review of Theoretical and Empirical Literatures

2.1 Introduction

This chapter includes the review of relevant articles or journals which are related to customers' awareness, understanding and perceptions of Islamic banking products and services. Besides the above stated points, it also includes review of journals that related to demographic factors that influencing the awareness, understanding and perceptions of Islamic banking products and services. Then, this chapter would review the relevant theoretical models and propose conceptual model for this study. After proposing conceptual model, testable hypotheses has been developed for this study.

2.2 Review of Literature

2.2.1 Empirical Studies at a National Level

In Ethiopia, IFB is a recent phenomenon. As a result, there is little empirical literature on the area. The studies conducted so far include the following: Mohammed (2012) has conducted research on "Islamic Banking: Prospects, Opportunities and Challenges in Ethiopia", research work conducted by Teferi (2015) was on "Contribution of IFB to economic Development and its Prospect in Ethiopia", on the other hand, study conducted by Debebe (2015) is on "Factors Affecting Customers to Use Interest Free Banking in Ethiopia". And finally a research conducted by Kerima (2016) on "Challenges on Interest Free Banking Services". Accordingly, their findings in brief and the gap thereto is presented as follows. Mohammed (2012) has studied the "Prospects, Opportunities and Challenges of Islamic Banking in Ethiopia" and his work has identified the potential challenges as: lack of awareness, regulatory and supervisory challenges, institutional challenges, lack of support and link institutions, gap in research and development in Islamic studies, lack of qualified human resource as well as wrongful association with specific religion and the global terrorism. On the other hand, Teferi (2015) studied about the "Contribution of IFB to economic Development and its Prospect in Ethiopia". He assessed the contribution of the inclusion of the Muslim population in the banking (financial system) to the economic development and GDP growth. Debebe (2015) has conducted a study on "Factors Affecting Customers to Use Interest Free Banking in Ethiopia". His study has centered on willingness on patronage of interest free banking services. The results showed that perceived relative advantage, perceived compatibility, and customers' level of awareness have a significant positive impact towards the acceptance of interest free banking in Ethiopia. Finally, a research conducted by Kerima (2016) finds out the following challenges: lack of capacity to deliver IFB product at full range, lack of awareness of customer about IFB products, lack of trust and confidence of customers, inadequate marketing and promotion, double taxation, nature of IFB products, unavailability of IFB products in all of its branches and the IFB being delivered in a Window model. Accordingly, the following recommendations were forwarded by her aggressive promotion and marketing campaign about IFB products, provide sustainable and continuous training to build the capacity of the manpower, the bank shall increase accessibility of its products with the expected services attached to the products, the bank has to have Sharia' Advisor, give the required attention and focus for the business and the bank has to be transparent in its IFB business undertaking, in addition to these NBE directives, tax and ECX law shall include exceptions for IFB business (Abreham Redi, 2017).

2.2.2 Awareness of Interest Free Banking Products and Services

A study was conducted by Gerrard and Cunningham (1997), where they investigated the awareness of the Singapore customer towards the Islamic banking products and its different services. They determined that there is a general lack of awareness of the customer regarding the IBS (Gerrard and Cunningham, 1997).

A study was conducted by Kamal Naser, Ahmed jamal and Khalid Al-Khatib in (1999). They tried to get the degree of awareness of the customers towards the IBS products. They had taken a sample of 206 respondents and come to the conclusion that most of the customers have a little bit knowledge about the specific products such as Mudarabah and Murabaha. But most of them do not use these products (Naser et al., 1999).

A study was conducted by Hegazy on the Egypt customer's attitude in (1995). He targeted the customers of Islamic bank. Finding of his study were that most customers chose banks due to their efficiency and speed of delivering banking services (Hegazy, 1995). Another study was conducted in 2005 by H. Saduman Okumus on the platform of Turkey. This study basically covered the theoretical and practical aspect of the Turkish Islamic banking sector. With the sample of 161 respondents this study tried to know about the awareness and satisfaction of the Islamic banking customers towards the Islamic banking system. They came to the conclusion that numbers of customers are aware with few specific products like Musharakah and Mudarabah. But most of them were not enrolled in the dealing of these products (Saduman Okumus, 2005).

In the study of Malaysian banking consumers' found out that a high level of awareness of Islamic banking but poor knowledge of specific Islamic banking products, including poor understanding of the difference between Islamic and conventional banks. They also said that better consumer education will assist in making people more aware of Islamic banking products (Hamid and Nordin 2001).

A study on Islamic banking in Singapore found that only a small proportion of Muslims have an awareness of the Islamic banking culture and that for non Muslims the awareness is nearly nonexistent (Gerrard and Cunningham, 1997). According to Haidi and Malik (2006) found that exposure and knowledge of Islamic banking is through one's own effort prior to property purchase, recommendation by friends, through working experience and through advertisement and promotions (Doraisamy, B., Shanmugam, A. and Raman, R. (2011).

The religion creates a strong impact on customer's usage of the service and influenced people attitude in different aspect of life. The Islam also guide in Islamic banking system. Many researches State that the religion affects the customer's decision in Islamic banking system and other factors are not matters. The operation of Islamic bank is similar to the operation of commercial bank but difference is that IB work according to Islamic laws (Henry and Wilson, 2004). Religion is primary motivator for the customers for choosing banking services and all other factors are secondary (Okumus, 2005). The customer awareness, attitudes and found that religious firmness of customers was the most important for availing Islamic banking services (Worthington and Gait, 2008).

Studies by (Ahmad and Haron, 2002) pointed out that religion as the main reason for choosing interest free banking products and services, which has been grounded under the principles of the Qur'an and the Hadith. However, studies in Malaysia, United Arab Emirate, Kuwait found non-religious factors like efficiency, cost-benefit etc. in conjunction with a religion as the influential factors behind choosing an interest free banking product and services (Dusuki and Abdullah, 2007; Metawa and Almossawi, 1998).

Gerrard and Cunningham's (1997) study stressed the significance of customer awareness, product knowledge and informative advertising campaigns. The need to create awareness, enhance product knowledge and improve promotional campaigns is supported by Haron et al. (1994), Bley and Kuehn (2004), Dusuki and Abdullah (2006) and Thambiah et al. (2007) to combat growing competition from both Islamic and conventional banking products (Loo, M. 2010).

The research conducted in Thailand that examining the perception of the customers towards the objectives, characteristics and criteria of selecting Islamic bank. In their study, it was found that most of the Thai customers were aware of the special characteristics of Islamic banking system and they are different from the conventional banking system, like the forbidden of interest. But, they have little awareness about the Islamic banking system products and services (Khattak and Rehman 2010). The customer's awareness level towards Islamic banking products in Pakistan and Turkey is good in some of the general products like current accounts and time deposit account. However, for some of the Islamic financial products such as Murabahah and Ijarah, most of the customers are unaware of them (Okumus, 2005).

2.2.2 Perception of Interest Free Banking products and Services

Perception is the way people organize the massive amounts of information they receive into patterns that give it meaning. People will use their perceptions of reality, not reality itself, to decide how to behave. Perception is the act of discerning, realizing, and becoming aware of through the senses (Albrecht, 2003). Perception of customer is identified through the satisfaction level about any product or service and satisfaction level usually measured by the offering services by the institution.

Turnbull (1983) was among the first researchers who studied perception of corporate customers towards their banks. His pursuits that big organizations are prefer foreign banks rather than their local banks. Two factors found by that describe decision making process influenced on these two factors. First factor is that banks provide their services with better branching networks and second factor identified by researcher is that banks with their better quality services as compared to innovative products (Rosenblatt et al. 1988). Reliability, assurance, empathy, responsiveness and pro-activity have been taken as key elements of perceived quality by large corporations. Islamic banking system has a great potential in Pakistan rather than the conventional banking system. But, Islamic banking is not providing their services to their potential customers due to lack of knowledge in the customers about Islamic banking. They don't provide information to the customers and not facilitate their customers about Islamic banking products and services (Tyler and Stanley 1999).

In 1998 a study was conducted by Metawa and Almossawi on the Bahrain customer's perception and they found that "most of the Islamic bank customers are satisfied with Islamic banks' services. The factor with which the customers have shown dissatisfaction is the high cost of the services that has been charged by the Islamic banks (Metawa and Almossawi, 1998).

Turnbull (1983) studied the perceptions of corporate customers towards their banks. He examined the relationship between 44 corporate customers in United Kingdom and their bankers are found that size played an important role in maintaining split banking practices. Another important finding of Turnbull (1983) was that large corporations tend to prefer foreign banks than the local banks (Elias Endale, 2015).

In Malaysia, according to Loo (2010), with her objectives to investigate the perceptions of Muslims and non-Muslims towards Islamic banking, the results show that there is a significant difference between X-Gen Muslims and X-Gen non-Muslims and similarly between Baby Boomer Muslims and Baby Boomer non-Muslims in how they perceive of Islamic banking. In short, non-Muslims view Islamic banking with a disadvantage more significantly than Muslims.

Turnbull and Gibbs (1989) conducted a study using 'large' and 'very large' companies in South Africa. The objectives of their study were to find factors that were considered important among corporate customers in selecting their banks and to find information whether companies have single or split banking relationship. The finding generally showed that the corporate customers perceived that quality of service was the most important factor in establishing a relationship. Other influential factors were quality of staff, bank manager`s attitude, and price of service (Elias Endale, 2015).

2.2.3 Understanding of Interest Free Banking Products and Services

In Indonesia, the awareness of Islamic Banking is quite high but the understanding about Islamic Banks is still not sufficient (Karim and Affif, n.d.). According to Rammal and Zurbruegg (2006), some respondents who had held a halal banking product were not even aware of the profit and loss sharing concept. This shows that they do not understand about the concept of their products and this would also indicate that some financial institutions have been guaranteeing profits. This was against the Syariah principles as gains made on investment without risk is merely interest rather than profit (Rammal and Zurbruegg, 2006).

2.3 Demographic Factor

2.3.1 Age

In a study conducted in Pakistan by Khattak and Rehman (2010), it shows that awareness of the Islamic banking products are varied among different age group people, such as in the current account system and letter of credit. Majority of the customer that aware of Islamic banking are between the ages of 21 to 40 years. However a study conducted in Borneo has suggested a different finding from Khattak and Rehman (2010), which is Islamic banks manager may assume that consumers are homogeneous in terms of their awareness and usage as substantiated by age. Age and awareness and usage are not statistically significant (Amin, 2007).

According to Khan et al. (2008), it has been found that the majority of the Islamic banking customers in Bangladesh (58%) are ranged between 25 to 35 years of age. The reason for high concentration in the 25 to 35 years' category might be due to the relatively short history of Islamic banking in Bangladesh which started in 1983. A statistics in the UK show almost half of the UK Muslim population to be below the age of 21. This would suggest that the future customers of Islamic banking are more technologically adept than the older generation (Karbhari, Naser and Shahin, 2004).

2.3.2 Religions

Selection of Islamic banking over conventional banking is mainly on the basis of religious belief. Since growing Islamic banking competition within similar kind of banks and through windows of conventional banks, it has become quite difficult for customers to select an Islamic bank for their core bank dealings (Hamid & Masood, 2011) (Ghauri & Qambar, 2012).

Anything that has a religious label attached to it becomes hallowed and gains its legitimacy because of the reluctance of the scholars and academicians to question the legitimacy of those truths. Despite the legitimacy provided to Islamic banking by the Shariah advisors, the reality is that the general public in Pakistan has doubts about the legitimacy vis-à-vis Shariah compliance of Islamic banking products and services (Khalidi and Amanaullah, 2010).

Islamic banks benefit from Clientele with more inelastic demand, coming from the religious principles. Therefore, religious clients are more captive to Islamic banks following their will to respect shari'ah than non-religious clients to all categories of banks. This claim was empirically supported, whereby some of the previous studies found that the religious motivation was the main factor for Islamic banks' selection. (Abdelghani Echchabi and Hassanuddeen Abd. Aziz)

The religion was the most influential factor in the selection of Islamic banking system not the return on their investment. Most of the customers were aware from the fundamental products of Islamic banks but have no knowledge about the complex Islamic financial system (Metawa and Almossawi, 1998).

Islamic banking and finance witnessed a rapid expansion over the last few decades and it is still expanding. For Islamic banking to continue this expansion and succeed in any other setting, it has to be accepted and positively perceived by the potential customers. In this regards, many studies have been conducted to examine the factors that lead the customers to have a positive attitude and/or opt for a given bank. The main factors identified by the previous studies include religious motivation, fast and efficient service, the bank's reputation and image, confidentiality, third party recommendation, pricing policy, quality of the services, convenience. (Abdelghani Echchabi and Hassanuddeen Abd. Aziz)

A study was conducted in (1989) by Erol and El-Bdour on Jordan customers. They tried to find the attitude of Jordanian people towards interest free banking. Ultimately they got that religion is not the main factor for the selection of financial institution, but in fact there are some other factors too which are influencing the decision criteria of the customers and in this regard the main factor is the level of profitability, that is, returns on their investment (Erol and El-Bdour, 1989).

Religious conviction is a logical key determinant for the use of Islamic financial service, it is often not the only concern, with most consumers also identifying the organization`s reputation, service quality and pricing as being of relevance in determining their patronage of a particular financial institution (Gait A and Worthington A, 2007). Gerrard P and Cunningham J (1997) even observed that about two-thirds of Muslims consider religious as well as economic factors before deciding to custom with as Islamic financial institution in Singapore.

Customers' satisfaction is largely depends upon some factors like operational diversification, efficiency, religion etc. Metawa and Almossawi (1998) examined the behavior of customer which they adopt while choosing a bank. He found Shariah principles as most important factor.

Similarly, twenty five percent respondents ranked religion as most important factor but no difference is found between (Gerrard and Cunningham, 1997).

2.3.3 Educational Level

In a study conducted in Pakistan, it is found that there is significant relationship between the academic qualification and the awareness of different products (Khattak and Rehman, 2010). Their study also shows that most of the customers of the IBS have high educational level. This result was also supported by the study done in Borneo which also shows that significant relationship with educational level (Amin, 2007).

According to Run and Yeo (n.d.) in a survey done in Sarawak, Malaysia, higher education has a significantly different level of understanding of Islamic Financing. However, there is no significant relationship between level of education and overall perception towards Islamic bank. This is supported by Haque et al. (2009) where in their studies show that Malaysians with different educational level did not have too many differences in their perceptions towards Islamic Banks.

2.3.4 Occupation

According to Khattak and Rehman (2010), occupation and reasons of dealing with Islamic banking has a significant relationship. In Bangladesh, most of the Islamic banks customers are executives and professionals both in the private and public sector (Khan et al., 2008).

In Malaysia, a study also revealed that there is no significant relationship with overall perception towards Islamic bank (Haque et al., 2009). This shows that occupation will be influencing the awareness and usage of Islamic banking products and services but it will not affect the perceptions of Malaysians with different occupation towards the Islamic Banks. In Malaysia, it was found that an employment in the government have a significantly different level of understanding of Islamic Financing. However, these results are contradicted to the study done by Amin (2007) in Borneo, which shows that occupation has no significant relationship with awareness and usage.

2.3.5 Income Level

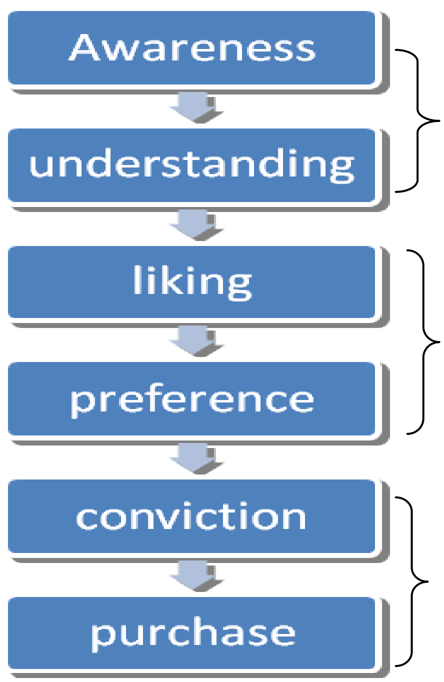
According to Khan et al. (2008), about half of the customers under study fall in the income category of BDT10, 000-20,000. Customers' high concentration in this income category is consistent with the findings of age category since entry and mid-level executives and professionals both in the private and public sector of the age category 25-35 years tend to have a similar level of basic monthly income.

According to Amin (2007), income will affect the awareness and usage of Islamic financing in Borneo. According to Khattak and Rehman (2010), perception or reasons behind dealing with Islamic banking are varied among the different income group people as there is significant difference in almost all reasons accepted services charges and confidentiality. Most of the Islamic bank customers are of the middle income level.

2.4 Review of Relevant Theoretical Model

According to Lavidge and Steiner (1961), The Hierarchy of Effects theory links awareness to sales (as cited in Run and Dick, n.d.). This model is also known as Think-Feel-Do (Heuvel, n.d.). During the cognitive stage, awareness will lead to knowledge which in turn will lead to the preference in the affective (emotional stage). A change in behavior will ultimately lead to the purchase of product or service.

Figure 1.1 1: The Hierarchy of Effects



Adapted from: Run, E. C. & Yeo, D. S. L. (n.d.). Awareness, understanding and Behavior Islamic banking: Results of a special study. IBBM.

On the other hand, according to Rogers (1962), innovation-adoption model defines that awareness is the stage when an individual is exposed to innovation but lacks of complete information about it (as cited in Run and Dick, n.d.). The individual is interested in the new idea and seeks more information about it. At the following evaluation stage, the individual will apply the innovation into his present situation then will decide whether to try the innovation. During this trial stage, the individual will make full use of the innovation. Finally, at the adoption stage, the individual will decide whether to continue making full use of innovation. In other words, the chance of a person making use of Islamic banking products and services increases when the person aware and understood the product features. Researchers believe that there is a wide gap between awareness and usage of Islamic banking products, especially financing products (Khattak and Rehman, 2010).

2.5 Theoretical/Conceptual Framework

This study did not cover the conviction and purchase stage in the Hierarchy of Effects theory as this study main concern is the awareness, understanding and perceptions of customers in Wegagen Bank towards interest free banking. Based on the literature review above, it was found that most of the customers are not aware of Islamic banking. Even they are aware of Interest free banking, they do not actually understand the operations of Islamic banks. Clear understanding of consumers' awareness, understanding and perception will help the bank to create appropriate marketing strategies to take a larger share of the financial market. This is because awareness, understanding and perceptions are the foundation of usage of Islamic banking products and services. If the customers are not aware and do not understand about the Islamic banking products, they would not take the initiative to adopt Islamic banking products.

So, in order to attract more customers to adopt Islamic banking products, it is rational to go back to the root of the problem which is the consumers' awareness, understanding and perception before looking into the usage of Islamic banking products and services by consumers. Islamic banks have to make sure that their customers understand about their principles of operating or else they would have post-purchase disagreement (Heuvel, n.d.).

In this study, the main objectives are to determine the awareness, understanding and perceptions of the bank customers on Islamic banking products and services. This is because awareness, understanding and perceptions are the foundation of usage of Islamic banking products and services. In addition, this study would also want to find out whether demographic factors (age, religion, educational level, occupation, income) has influenced the awareness, understanding and perceptions of Wegagen's customers on Islamic banking products and services.

Chapter Three: Research Methodology

3.1 Research Approach

This study tries to examine factors influencing the customers of IFB on sample basis so that the result can generalize the population of WB interest free banking customers in Addis Ababa; therefore the study used quantitative research approach.

3.2 Research Design

Research Design refers to the framework into which the research fits depend on the theory and nature of the research problem. This underpins all of the research activities (Walliman, 2006). According to Creswell (2009), there are three research designs. These are – Qualitative, Quantitative, and Mixed designs. Quantitative research approach has two types of research design – Survey and Experimental (Creswell, 2009). A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. From sample results, the researcher generalizes or makes claims about the population (Creswell, 2009, p. 137). Research design is the overall plan or structure that is used to conduct an entire study. Since the purpose of this study is to examine the awareness, understanding and perceptions of Islamic banking products and services by the customers of WB, and the relationship of demographic variables and awareness, understanding and perceptions, quantitative research is found to be more appropriate for this study. According to Aliaga and Gunderson (2002), quantitative research is the research that collects numerical data to explain a phenomenon and analyze it by using mathematical method.

The purpose of this research is a descriptive research because it deals with known problems. This is because descriptive data has been collected through detailed questionnaires which emphasize on studying accurate profile of person to explain the relationship of demographic factors and the awareness, understanding and perceptions of interest free banking products and services of Wegagen's customers. So as to ensure that the research design agrees with the research objective, the first pace is to choose WB as a sample to evaluate the factors underlying the study. The next step is to use a self administered questionnaire, which is taken as a right approach to collect data for the research.

Questionnaires used in this present project consist of a cover page and its contents are divided into four section which include Section A, Section B, Section C, and Section D (refer to Appendix). The cover page contains the information consent message accompanied by a brief explanation of the aim of research and corresponding details to back to the present researcher. The contents included Section A consists of demographic parts where it collected the personal profiles of all the respondents. There are questions requesting for the respondent‘s age, religions, educational level, occupation and income level as these demographic factors are related to our study. In Section B, there are questions that aim to examine the awareness of customers in WB towards the Islamic banking products and services. Following Section B, Section C contains questions that aim to examine the understanding of customers in WB about the basic Islamic Banking products and services and Section D consists of questions that aim to determine the perceptions of customers in WB towards Islamic banking.

Primary data has been used for this research and secondary data has also been used from the bank’s data. Primary data has been collected from a set of questionnaire which was distributed to selected respondents.

In this research, the target respondents are the consumers from Wegagen bank who has banking account in Interest free banking product and services. The respondents are from different demographic composition. The respondents are expected to answer the questionnaire on the awareness, understanding and the perception in interest free banking product and services. Nominal scale, ordinal scale, and five point Likert scale has been used in the questionnaires.

3.3 Source of Data

Primarily there are two sources of data used for research purpose; such are primary and secondary data sources. Primary sources are those in which require to conduct a new survey for gathering information at different levels with regard to the inquiry. Secondary sources are those which are made available or have been collected for other research purposes (Adams, Khan, Raeside, and White, 2007).

For the purpose of achieving the objective of the study, the researcher refers secondary sources to have a detail understanding of the factors of IFB business. Books, journal articles, WB internal policies and procedure manual and Google scholar has been used as a secondary source. In order to investigate the awareness, understanding and perception of customers towards the products and services of IFB primary data has been collected from IFB customers of WB in Addis Ababa.

3.4 Target Area of the Study

The research is conducted at Wegagen Bank (WB) by focusing on IFB windows specifically to evaluate the awareness, understanding and perception of customers about Interest Free Banking business in the city of Addis Ababa. WB, a private financial share company established in 1997 and it is one of the most competing private banks in the country. It currently has over 300 branches countrywide constituted in 9 districts. It provides both conventional and IFB products and services to its customers. The bank has started providing IFB services since April, 2016.

3.5 Target Population

The bank's districts are divided into two: Addis Ababa districts and outlying districts. The Addis Ababa city districts are four in number while the outlying districts are five. To make the research manageable, the Addis Ababa city districts of the bank are considered in this research, which has 149 branches in its domain. All branches in Addis Ababa district have given the IFB service with window model. Since this study aims to investigate the awareness, understanding and perceptions of customers about IFB products, the target population are the entire IFB customers of the WB in Addis Ababa.

Therefore, appropriate sample is taken out of the four districts. Including respondents from every corner of Addis Ababa i.e. from the four districts, this enabled the researcher to reach respondents with different demographic characteristics perceptions about the matter of this study which in return enables to generalize the findings to the population of the study.

3.6 Sampling Methods and Sampling Size Determination

3.6.1 Sampling Method

In general, there are two basic sampling techniques: probability and non-probability sampling. A probability sample is defined as a sample in which every element of the population has an equal chance of being selected (random selection). Alternatively if sample units are selected on the basis of personal judgment (non-random selection), and elements of the population does not have equal chance of being selected, the sample method is a non-probability sample (Adams et al., 2007; Kothari, 2004). Probability sampling includes Simple Random, Systematic, Stratified, Cluster and Multistage sampling methods (Adams et al., 2007).

This study has used multistage sampling techniques and convenience sampling in order to reach at the specific respondents. As stated above, the districts have been selected on a purposive base which we can consider them as strata. Thus, here we have four strata.

3.6.2 Size Determination

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

3.6.3 Branch Sample Size

A method developed by Carvalho (1984) was used to determine the branch sample size. This sampling technique has been used by (Debebe, 2015; Kerima, 2016, Abreham, 2017) while determining sample size of bank's branch. The researcher has used WB report of December 31, 2018, so the total branches in these districts that have IFB windows reached to 149 branches.

Table 1.3 1 Sample Size Determinations

N	51-90	91-150	151-280	281-500	501-1200	1201-3200	3,201-10,000	10,001-35,000	35,001-150,000
Small	5	8	13	20	32	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 Carvalho sample size determination method the researcher has selected a medium sample size which is 20 branches of WB with IFB windows in Addis Ababa districts from the population of 149 branches wherein the medium number is considered than the smaller to increase the accuracy of the data. Moreover, medium number is economical than the larger number samples, because it saves both time and cost of the research.

On the other hand, since the number of branches in each cluster is not the same, the researcher has used proportional computation to the size of each cluster, that is to determine the number of branches from each district, the proportion 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 1.4 1 Number of Sample of each Addis Ababa Districts

Number	Name of AA Districts	Number of branches in each district	Proportion in percentage	Number of sample branches in each district
1	North AA District	26	17.5%	4
2	South AA District	36	24%	5
3	East AA District	40	26.85%	5
4	West AA District	47	31.55%	6
	Total	149	100	20

After determining the appropriate number of sample branches from each district, simple random sampling method are used and 20 branches are selected to collect data from respondents. For example, to select 6 branches from 47 branches of West Addis district, branches were arranged alphabetically and every 5th branch was selected until the full sample size of 6 branches had been selected from the cluster.

3.7 Customers' Sample Size

Sample size determination is an important element in any survey research. According to Israel (2009), there are four strategies to determine sample size – using a census for small population, using the sample size of similar studies, using published tables like the table of Krejcie and Morgan (1970), or using formulas to calculate a sample size.

For instance, Krejcie and Morgan (1970), using a formula, came up with a table for sample size determination. According to them, for a population greater than 1,000,000 and confidence level of 95%, the sample size should be 384.

According to Hair, Anderson, Tatham, and Black (1998) a sample size between 200 and 400 is usually acceptable as critical sample size for attitude studies. Accordingly the minimum sample size of 200 are taken for 149 branches and a total population of 17,627.

Table 1.5 1: Number of Sample Customers from Each Addis Ababa

Number	Name of AA Districts	Number of customers in each district	Proportion (in percentage)	Number of sample customers (n) in each District	Number of sample branches in each district	Number of sample customers (n) per branch
1	North AA District	1,082	6%	12	4	3
2	South AA District	3,215	18%	36	5	7
3	East AA District	3,351	19%	38	5	8
4	West AA District	9,979	57%	114	6	19
	Total	17,627	100	200	20	

Source: own computation from the bank's report December 31, 2018.

Lastly, convenience sampling method has been used to collect data from the sample of 200 customers/respondents. Convenience sampling is a non-probability sampling technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient. Thus, in the selected branches questionnaire has been distributed to customers on a walk in basis i.e. questionnaires are distributed to willing customers who were arrive in sample branches to get the service until the expected number of sample from the selected branch had been satisfied.

3.8 Data Collection Method

The study has used both primary and secondary sources to collect data. The primary data have been collected through questionnaire. In addition, data has also been collected from secondary sources of the bank's report. The researcher collected primary data through administered questionnaire. The questionnaire involves both structured and unstructured questions to collect data from IFB customer. Questionnaire for customers has been prepared in Amharic.

3.9 Descriptive Analysis

Descriptive analysis is used to describe the main features of data collection quantitatively. It quantitatively summarizes a set of data that are collected from respondents. Munhurrun and Naidoo (2010) also state that descriptive analysis is used to identify the nature of all responses. By using the SPSS, this study made use of all the data from the section A, B, C and D in the questionnaires to analyze the descriptive statistics. The result is explained further in next Chapter using tables and graphs in illustrations.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

The purpose for this chapter is to discuss the finding for this research. Through the data that have been collected, the reliability test will be conducted to examine whether it is dependable and accurately among measurement, then generate all result by using SPSS version 20. While one way ANOVA test also be used to test and examine the relationship between demographic variables and awareness, understanding and perception. The Pearson Correlation Coefficient is also being used to measure the correlation coefficient among the variables.

4.1 Descriptive Analysis

Descriptive analysis in this study consists of age, religion, educational level, occupation and monthly income level.

4.1.1 Respondents Demographic Profile

Table 1.6 1: Respondents Demographic Profile

		Frequency	Percent	Valid Percent	Cumulative Percent
Age	Age less than 20 years	10	5.6	5.6	5.6
	Age 21-35 years	104	57.8	57.8	63.3
	Age 36-55 years	48	26.7	26.7	90.0
	56 years and above	18	10.0	10.0	100.0
	Total	180	100.0	100.0	
Gender	Male	124	68.9	68.9	68.9
	Female	56	31.1	31.1	100.0
	Total	180	100.0	100.0	
Religion	Muslim	180	100.0	100.0	
occupation	Business person	102	56.7	56.7	56.7
	Government Employee	16	8.9	8.9	65.6
	Employee of Private organization	49	27.2	27.2	92.8
	Employee of NGO	6	3.3	3.3	96.1
	Student	7	3.9	3.9	100.0
	Total	180	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Education	Read and Write	9	5.0	5.0	5.0
	Primary School	16	8.9	8.9	13.9
	Secondary School	89	49.4	49.4	63.3
	Above Secondary School	66	36.7	36.7	100.0
	Total	180	100.0	100.0	
Income	< Birr 5000/Month	27	15.0	15.0	15.0
	Birr 5,001-20,000/Month	50	27.8	27.8	42.8
	Birr 20,001-50,000/Month	88	48.9	48.9	91.7
	> Birr 50,001/Month	15	8.3	8.3	100.0
	Total	180	100.0	100.0	

Source: "Survey result, 2019"

In this study, there are total of 180 respondents out of 200 questioners. Among these 180 respondents, there are 104 (57.78%) of them are age between 21 and 35 years. In other words, more than half of the respondents are between 21 and 35 years. For 56 and above, it only consists of 18 (10%) respondents. From this data we can understand that the future customers of IFB in WB are the young generation aged between 21 and 35 years. More attention should be given for young generation considering the interest of this age group during promotion of IFB products.

124 (68.9%) of the respondents are male and the remaining 56 (31.1%) are female.

As for occupation, 102 (56.7%) of respondents are business person. There are 49 (27.22%) respondents work as private employee organization, 16 (8.89%) respondents work as government employee, 7(3.89%) respondents are students, 6 (3.3%) of them are employees of NGO.

As for educational level, the frequency for read and write, primary school, and above secondary are 5%, 8.89% and 8.89% respectively. Secondary school has the highest frequency which is 89 (49.44%).

Most of the respondents, which is 88 (48.89%) respondents monthly income level, is between Birr 20,001 and 50,000 this might due to most of them are business person. 50 (27.78%) respondents received Birr 5,001 – Birr 20,000 monthly income. 27(15%) respondents received below Birr 5,000 monthly income and only 15 (8.33%) respondents monthly income level higher than Birr 50,000 per month.

For religion, 180 of them are Muslims. This also shows that all of the respondents are Muslims.

4.2 Respondents' Awareness level towards IFB Products and Service

Table 1.7 1 Respondents' awareness level towards IFB products and services

No.	Deposit Products	I am aware		I am not aware	
		Frequency	Percent	Frequency	Percent
1	Wadiah Amanah (safe Keeping Deposit Account)	**126**	**70%**	**54**	**30%**
2	Mudarabah (PLS) Saving Account	**21**	**11.66%**	**159**	**88.34%**
3	Qard (Current/checking/Demand Deposit Account)	**103**	**57.22%**	**77**	**42.78%**
4	Mudarabah (Fixed Time Deposit Account)	**2**	**1.1%**	**178**	**98.9%**
	Financing (Loan) Products				
5	Murabah financing (cost plus profit)	**5**	**2.78%**	**175**	**97.22%**
6	Ijarah financing (Islamic leasing)	**3**	**1.67%**	**177**	**98.33%**
7	Musharaka (Partnership financing)	**5**	**2.78%**	**175**	**97.22%**
8	Mudarabah financing (sleeping partnership)	**2**	**1.1%**	**178**	**98.9%**

Source: Developed for the research

Table 4.2 shows that among the eight products offered by Islamic Banks, Wadia Amana product has the highest awareness level which is 126 (70%) respondents. The following product that has the second highest level of awareness is Qerd product which is 103 (57.22%) respondents. It followed by Mudaraba Saving product 21 (11.66%) respondents, financing product – Murabah Financing, 5 (2.78%), Musharaka (Partnership financing) 5 (2.78%) , Ijarah financing 3 (1.67%) and Mudarabah financing 2 (1.1%). The product that has lowest level of awareness from the respondents is financing products which is a maximum level of 5 (2.78%) for Murabah financing and a minimum level of 2 (1.1%) for Mudarabah financing respondents are aware of it.

4.3 Respondents' Understanding Level towards IFB System and Operations

Table 1.8 1 Respondents' understanding level

S/no	Statement	Score									
		Absolutely true (5)		True (4)		Neutral (3)		Untrue (2)		Absolutely Untrue (1)	
		F	%	F	%	F	%	F	%	F	%
1	Islamic banking is the conduct of banking operations according to Sheria Law.	180	100	-	-	-	-	-	-	-	-
2	Islamic banking is available for Muslims as well as non-Muslims.			20	11.11	-	-	160	88.89	-	-
3	Islamic banking prohibits interest in all forms of transactions.	180	100	-	-	-	-	-	-	-	-
4	Parties in Islamic banking cannot predetermine a guaranteed profit.	132	73.34	8	4.44	40	22.22				
5	Returns on Islamic banking are based on profit on sales and profit sharing basis instead of interest.	172	95.56			8	4.44				
6	Islamic banking prohibits major uncertainty in all form of transactions.	145	80.56			35	19.44				
7	Islamic banks only invest in businesses	180	100								

S/no	Statement	Score									
		Absolutely true (5)		**True (4)**		**Neutral (3)**		**Untrue (2)**		**Absolutely Untrue (1)**	
		F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
	that are not prohibited by Islam or halal businesses.										
8	Each Islamic bank should have a Sheria Supervisory Board to ensure that all business activities are in line with Sheria requirements.	135	75			45	25				

Source: " Survey Result, 2019"

Based on the table 1.81, it shows that 180 of the respondents (100%) agree that Islamic Banking is the conducts of banking operation according to Sheriya Law. 20 (11.11%) of the respondents agree that Islamic banking is available for Muslims as well as non-Muslims. 180 (100%) of the respondents agreed that Islamic banking prohibits interest in all form of transactions. 140 (77.78%) respondents agreed that parties in Islamic Banking cannot predetermine a guaranteed profit. 172 (95.56%) respondents agreed that returns on Islamic Banking are based on profit on sales and profit sharing basis instead of interest. 145 (80.56%) respondents agree that Islamic Banking prohibits major uncertainty in all form of transactions. 180 (100%) respondents agree that Islam Banks only invest in businesses that are not prohibited by Islam or halal businesses. 135 (75%) of respondents agree that each Islamic Bank should have a Shariah Supervisory Board to ensure that all business activities are in line with Shariah requirements

4.4 Respondents' Perception towards Interest Free Banks

Table 1.9 1Respondents' Perception towards Interest Free Banks

S/no	Statement	Score									
		Absolutely true (5)		True (4)		Neutral (3)		Untrue (2)		Absolutely Untrue (1)	
		F	%	F	%	F	%	F	%	F	%
1	Interest free banking system was introduce because Muslims are prohibited from associating themselves with the element of interest practice by conventional banking system	180	100								
2	Is it true the IFB products available in WB window are similar to the products of interest based products except that the banks use different names in highlighting those products?	152	84.44	-	-	28	15.56				
3	WB has gone enough in delivering IFB product to you?	22	12.22			40	22.22	118	65.56		

S/no	Statement	Score									
		Absolutely true (5)		True (4)		Neutral (3)		Untrue (2)		Absolutely Untrue (1)	
		F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
4	The Profit-Loss- Sharing principle is the only principle representing a true spirit of the IFB system	145	80.55	-	-	25	13.89	10	5.5		
5	IFB must adopt a profit maximization principle in order to survive in the competitive business environment	151	83.88			29	16.12				
6	There is an advantage using the service of IFB	**180**									
7	The perception you have will impact the growth of IFB business	**180**									

Source: "Survey Result, 2019"

Based on table 1.91, 180 (100%) of the respondents perceive that interest free banking system was introduced because Muslims are prohibited from associating themselves with the element of interest practice by conventional banking system. 152 respondents (84.44%) agree that the IFB products available in WB window are similar to the products of interest based products except that the banks use different names in highlighting those products. In other words, majority of the respondents think that Islamic Banking products in WB are similar to the products of conventional banks. 118 (65.56%) of respondents agree that WB has not done enough in marketing its IFB products to the public. 145 (80.55%) of respondents perceive that the Profit-Loss- Sharing principle is the only principle representing a true spirit of the IFB system. 151 (83.88%) of respondents perceive that IFB must adopt a profit maximization principle in order to survive in the competitive business environment.

4.5 Scale Measurement

Table 1.10 1 Internal Reliability Test

	Cronbatch Alpha
Awareness (Deposit Product)	0.713
Awareness (Financing product)	0.829
Understanding	0.729
Perception of IFB business	0.918

Source: "Survey Result, 2019"

Reliability refers to consistency. It concerns with the robustness of the questionnaires and whether it will produce consistent findings at different times and under different conditions such as with different samples. In this study, reliability test is being tested using Cronbach‘s Alpha. According Hair, Anderson, Tatham and Black (1998) suggested that the lowest limit for Cronbach‘s alpha is 0.70. Based on table 1.8, the internal reliability test for the four components are higher than 0.70, hence this shows that the results of questionnaire are reliable.

4.6 Inferential Analyses

Inferential analysis consists of Pearson Correlation analysis and one way ANOVA test. It aims to examine the relationship between variables and the relationship between demographic variables and the dependent variables.

4.6.1 Pearson Correlation Analysis

4.6.1.1: Awareness, Understanding, Understanding and Perception

Table 1.11 1: Pearson Correlation for Awareness, Understanding and Perception of IFB in WB

Correlations				
		Awareness	**Understanding**	**Perception**
Awareness	Pearson Correlation	1	-.012	-.008
	Sig. (2-tailed)		.868	.920
	N	180	180	180
Understanding	Pearson Correlation	-.012	1	.556**
	Sig. (2-tailed)	.868		.000
	N	180	180	180
Perception	Pearson Correlation	-.008	.556**	1
	Sig. (2-tailed)	.920	.000	
	N	180	180	180
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: "Survey Result, 2019"

From table 1.11 1, it shows that all the variables are significant at the 0.01 level. Awareness and understanding have negative correlation which is -0.012, Awareness and perception have also negative correlation which is -0.008, and Understanding and perception have positive correlation which is 0.556. All the correlations values are lower than 0.70 which means the correlations are weak (Branch, 1990).

Below are the full descriptions for the short forms used in the Pearson Correlation tables.

Awareness

Awareness_of_IB = Awareness of Islamic Banking in WB

A1 = Wadia Amana

A2 = Mudaraba (PLS) saving account

A3 = Qerd

A4 = Mudarabah (Fixed Time Deposit Account

A5 = Murabah financing (cost plus profit)

A6 = Ijarah Financing (Islamic leasing)

A7 = Musharaka (Partnership financing)

A8 = Mudarabah financing (sleeping partenership)

Understanding

U1= Islamic banking is the conduct of banking operation according to sheria law

U2 = Islamic banking is available for Muslims as well as non-Muslims.

U3= Islamic banking prohibits interest in all forms of transactions.

U4 = Parties in Islamic banking cannot predetermine a guaranteed profit.

U5 = Returns on Islamic banking are based on profit on sales and profit sharing basis instead of interest.

U6 = Islamic banking prohibits major uncertainty in all form of transactions.

U7 = Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses.

U8= Each Islamic bank should have a Sheria Supervisory Board to ensure that all business activities are in line with Sheria

U9 = Each Islamic bank should have a Sheria Supervisory Board to ensure that all business activities are in line with Sheria requirements.

Perception

P1 = Interest free banking system was introduce because Muslims are prohibited from associating themselves with the element of interest practice by conventional banking system.

P2 = is it true the IFB products available in WB window are similar to the products of interest based products except that the banks use different names in highlighting those products?

P3 = WB has gone enough in delivering IFB product to you?

P4 = The Profit- Loss- Sharing principle is the only principle representing a true spirit of the IFB system.

P5 = IFB must adopt a profit maximization principle in order to survive in the competitive business environment.

P6 = There is an advantage using the service of IFB.

P7 = the perception you have will impact the growth of IFB business.

4.7 One Way ANOVA

In this study the customer awareness, understanding and perception towards the Islamic banking products and its services was checked. For this we initially check the reliability of the data by applying Cronbach alpha. After that, we applied different descriptive test statistics. We found out that the relationship between demographic variables and awareness, understanding and perception. We first checked the normality of the data by testing their skewness. We got that the data was not normal, so the researcher applied One-Way ANOVA. The same methodology was adopted by Naser et al. (1999) on the Jordanian customer's perception towards the Islamic banking system.

Table 1.12 1 : ANOVA Results for Demographic Factors against Awareness, Understanding and Perception at 5% significant level.

	Awareness	Understanding	Perception
Age	0.306	0.130	0.569
Gender	0.936	0.232	0.757
Occupation	0.000	0.161	0.892
Education	0.167	0.533	0.869
Income	0.000	0.835	0.982

4.7.1 Age and awareness, understanding and perception

H_0: There is no significant relationship between age and awareness, age and understanding, age and Perception of IFB products and services among customers of WB.

H_1: There is significant relationship between age and awareness, age and understanding age and perception of IFB products and services among customers of WB.

Based on the table 1.121, it shows that the sig value for awareness is 0.306, understanding is 0.130, and perception is 0.569. This means there is not enough evidence to reject H0 for awareness, understanding and perception. So it can conclude that there is no significant relationship between age and awareness, understanding and perception of WB customers towards Islamic banking products and services at 5% significant level.

4.7.2 Gender and Awareness, Understanding and Perception

H_0: There is no significant relationship between gender and awareness, gender and understanding, gender and Perception of IFB products and services among customers of WB.

H_1: There is significant relationship between gender and awareness, gender and understanding, gender and Perception of IFB products and services among customers of WB.

Table 1.121 above depicts that sig value for awareness is 0.936, understanding is 0.232, and perception is 0.757. This means there is not enough evidence to reject H0 for awareness, understanding and perception. So it can conclude that there is no significant relationship between gender and awareness, understanding and perception of WB customers towards Islamic banking products and services at 5% significant level.

4.7.3 Occupation and Awareness, Understanding and Perception

H_0: There is no significant relationship between occupation and awareness, occupation and understanding, occupation and Perception of IFB products and services among customers of WB.

H_1: There is significant relationship between occupation and awareness, occupation and understanding, occupation and Perception of IFB products and services among customers of WB.

Table 1.121 above depicts that sig value for awareness is 0.000, understanding is 0.161, and perception is 0.892. This means there is enough evidence to reject H0 for awareness, but there is not enough evidence to reject H_0 for understanding and perception. So it can conclude that there is significant relationship between occupation and awareness, and there is no significant relationship between occupation and understanding and perception of WB customers towards Islamic banking products and services at 5% significant level.

4.7.4 Education and Awareness, Understanding and Perception.

H_0: There is no significant relationship between education and awareness, education and understanding, education and Perception of IFB products and services among customers of WB.

H_1: There is significant relationship between education and awareness, education and understanding, education and Perception of IFB products and services among customers of WB.

Table 1.121 above depicts that sig value for awareness is 0.167, understanding is 0.533, and perception is 0.869. This means there is not enough evidence to reject H0 for awareness, understanding and perception. So it can conclude that there is no significant relationship between education and awareness, understanding and perception of WB customers towards Islamic banking products and services at 5% significant level.

4.7.5 Income and Awareness, Understanding and Perception.

H_0: There is no significant relationship between income and awareness, income and understanding, income and Perception of IFB products and services among customers of WB.

H_1: There is significant relationship between income and awareness, income and understanding, income and Perception of IFB products and services among customers of WB.

Table 1.121 above depicts that sig value for awareness is 0.000, understanding is 0.835, and perception is 0.982. This means there is enough evidence to reject H0 for awareness but there is no enough evidence to reject understanding and perception. So it can conclude that there is significant relationship between income and awareness and there is no significant relationship between income and understanding and perception of WB customers towards Islamic banking products and services at 5% significant level

CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

This is the last chapter of the study. Due on the analysis of previous chapter, the summary of statistical analysis and discussion of major finding will be identified for further improvement for Islamic banking and services. At last but not least, this chapter will be ended with recommendation and conclusion in order to show the benefit of this research.

5.1 Summary of Statistical Analyses

Since this study is to determine the level of awareness, understanding and perception of Islamic banking product and services in Wegagen bank, hence descriptive analysis has been used. In addition, this study also wants to determine the relationship between demographic variables and awareness, understanding and perception, thus, inferential analysis has been used. Questionnaires have been distributed in different branches and 180 out of 200 questionnaires have been successfully collected and valid for analysis. In this research, statistical tools of Microsoft excel and SPSS 20 are used for both descriptive analysis and inferential analysis.

5.1.1 Descriptive Analysis

In this study, there are total 180 respondents. Majority of the respondents age are between 21 and 35 years old and 100% of the respondents are Muslims. Furthermore, 89 respondents' educational level is secondary school. 103 respondents, who have the majority have chosen business person as their occupation, most of the respondents, which is 88 (48.89%) respondents monthly income level, is between Birr 20,001 and 50,000 this might be due to most of them are business person.

179 of respondents aware of the existence of Islamic Banking in Wegagen bank, 1 respondent is not aware Islamic Banking in WB. The product has the highest awareness among the customers in WB is deposits products of Wadia Amana and Qerd, their percentages are 70%, and 57% respectively.

As for understanding level, only 11.11% of the respondents understand that Islamic banking is available for Muslims as well as non-Muslims. 100% of the respondents agree that Islamic banking prohibits interest in all form of transactions; again 100% of the respondents respond that Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses and 75% of the respondents believe that each Islamic Bank should have a Shariah Supervisory Board to ensure that all business activities are in line with Shariah requirements.

For perception, 100% of the respondents perceive that interest free banking system was introduced because Muslims are prohibited from associating themselves with the element of interest practice by conventional banking system. 84.44% of respondents agree that the IFB products available in WB window are similar to the products of interest based products which is available in conventional banking except that the banks use different names in highlighting those products. 65.56% of respondents perceive that WB has not gone enough in delivering IFB products.

5.1.2 Scale Measurement

Reliability test has been carried out to check for internal consistency for actual test; the values have passed the thumb of rule which is 0.70. The highest value is 0.918 and the lowest value is 0.713 in the actual test.

5.1.3 Inferential Analysis

Pearson correlation test has been carried out to test the correlation among the variables. The results show that the correlations among the variables are weak as all of the correlation values are below 0.60 and none of them above 0.70.

To achieve the objective of determining relationship between demographic variables and awareness, understanding and perception, one way ANOVA test has been used. The results of test are shown in the following table.

	Awareness	Understanding	Perception
Age	0.306	0.130	0.569
Gender	0.936	0.232	0.757
Occupation	0.000	0.161	0.892
Education	0.167	0.533	0.869

Income	0.000	0.835	0.982

Source:" Survey result, 2019"

5.2 Discussions of Major Finding

5.2.1 Awareness of Customers towards Interest Free Banking

From the data collected 70% and 57.22% of respondents are aware of Wadia Amana and Qerd deposit products respectively. Customers do not have good awareness for financing products like Murabah, Ijarah, Musharaka and Mudaraba financing and the bank should do to increase the level of awareness for financing products.

5.2.2 Understanding of Customers towards Interest Free Banking

In this study it was found that the level of understanding of Islamic Banking is at higher level to mention some responses of the respondents, 100% of the respondents said that Islamic banking is the conduct of banking operations according to Sheria Law. More than 90% of the respondents have agreed for the question of understanding for Islamic Banking products except the minimum response for understanding question of Parties in Islamic banking cannot predetermine a guaranteed profit which is 73.22%. For some understanding question such as Islamic Banking is available for both Muslim and Non-Muslims 88.89% of respondents have chosen "Untrue", this might be due to all respondents are Muslims and consider the service for Muslims only.

5.2.3 Perception of Customers towards Interest Free Banking

In this study 84.44% of the respondents perceive that Islamic Banking products in WB are similar to the products of conventional products. From these responses we can understand that the bank has not have a segregated service for IFB which could separate the IFB service from conventional and create differentiation of the products on the minds of customers. In addition 66.56% respondents perceive that WB has not gone enough in delivering IFB service. 145 respondents perceive that the Profit- Loss- Sharing principle is the only principle representing a true spirit of the IFB system.

5.2.4 Relationship between Age and Awareness, Age and Understanding and Age and Perception

In this study age do not have significant relationship with awareness and this study shows that age do not affect both the level of awareness, understanding and perception of IFB products in WB.

5.2.5 Relationship between Educational Level and Awareness, Understanding and Perception

Results show that educational level has not have significant relationship with awareness, understanding and perception and it shows that educational level does not affect both the level of awareness, understanding and perception of IFB products in WB.

5.2.6 Relationship between Occupation and Awareness, Understanding and Perception

In this study, it shows that occupation has significant relationship with awareness at 5% significant level and does not have significant relationship with understanding and perception. This implies occupation does not affect the level of understanding and perception but it has an impact on the level of awareness.

5.2.8 Relationship between Monthly Income Level and Awareness, Understanding and Perception

Monthly income level has a significant relationship with awareness at 5% significant level and Monthly income does not have significant relationship with understanding and perception of IFB products. From this result we can understand that Monthly income would affect the level of awareness but it does not affect the level of understanding and perception of IFB products.

5.3 Results of the Study

Based on the results in Chapter four, it indicates that the respondent‘s awareness level towards Islamic banking products is good in some of the general products such as deposits products like Wadiya Amana and Qerd. The top three Islamic banking products that gain highest awareness from the respondents are Wadiya Amana, Qerd and Mudaraba Saving. These three products could be the main products that Wegagen bank uses to attract its customers. By attracting IFB customers through different means of attraction to use these products, Wegagen Bank could cross sell other products which are not so popular among the respondents such as financing products like Murabah , Musharaka, Ijara and Mudraba financing through aggressive awareness creation method.

Majority of the respondents understand the basics of Islamic banking operations as they choose ‘Absolutely True’ for the statements fall under understanding variable. This shows that the level of understanding of Islamic banking has strong bases. This is definitely a good sign because many studies show that the gap between awareness and usage is due to their respondents are lack of understanding of the Islamic financing products features and this problem would not be reflected in this study. So when customers have a good level of understanding of Islamic banking, this will help to increase the usage of Islamic banking products and will maximize the benefit gained from this business.

Besides determining the level of awareness and understanding of IFB products by the customers of WB, another objective is to determine the level of perception of customers towards IFB products of Wegagen Bank. In this study 84.44% of the respondents perceive that Islamic Banking products in WB are similar to the products of conventional products. From these responses we can understand that the bank has not have a segregated service for IFB which could separate the IFB service from conventional and create differentiation of the products on the minds of customers. More than 65% of the respondents have perceived that WB has not done enough in delivering IFB services, this indicates that the bank should give attention in correcting the service delivery of IFB products by complying sheria principles and keeping the interest of customers.

This study revealed that some of the demographic variables influence the respondents’ awareness, understanding and perceptions towards Islamic banking. Occupational level and Income have significant relationship with awareness. Thus, WB could use occupation and income as one of its tools to attract potential customers. The bank could have campaign around trading areas that have high monthly income portfolio.

5.4 Recommendations and Conclusion

The main objective of this research is to determine the level of awareness, understanding and perception of Islamic banking product and services by IFB customers of WB. This study has a total of 180 respondents and data collected was being analyzed by using SPSS 20.

The level of awareness towards Islamic banking deposit products are considered as high however the level of awareness for financing products are very low and it needs awareness campaign in promoting the features of IFB financing to the target customers to enhance the level of awareness for financing products. The understanding level towards Islamic products is very high except the understanding for Islamic banking is available for Muslims and non-Muslims is very low and the bank should do in increasing the understanding of Muslim customers by promoting the product is available for both Muslim and Non-Muslim customers as far as the sheria principle is respected. As for perception, the bank should exert its maximum effort in segregating the IFB business from the conventional business because majority of the respondents perceive that the service of IFB is similar to conventional banking system and having this perception by customers would adversely affect the growth of the business by repealing potential customers from the bank. Another correction action that will be taken by the bank to have the right perception by the customers is that service delivery for IFB products should be right and do the business in compliance with the religion principle as well as the NBE directives.

Many of the demographic variables have no significant relationship with awareness, understanding and perceptions but occupation and income have a significant relationship with awareness.

Based on the finding of the study, the following recommendations are given:

- The bank has to do aggressive awareness creation campaign for financing products of IFB because it is found that low level of awareness for financing products in the survey.
- The understanding of the respondents is IFB service is only for Muslim population but the experience in other nations that have diverse religious composition tell us the IFB product is liked and used by both Muslim and Non-Muslim customers and the bank should enhance the level of understanding of customers about the IFB service to be used by any religion followers without compromising the sheria principle.
- The bank strictly adhere to the principle of Islamic principle by differentiating the service of IFB from the conventional banking using the dedicated window service for IFB, otherwise customers will perceive that there is no difference between the IFB and conventional service which will affect the growth of IFB business negatively.
- The bank should give more attention for compliance of sheria principles.

Factors Influencing Customers Adoption of Interest Free Banking Service in Wegagen Bank

Appendix 1.1 1 : Questioners

Dear Respondents:

This Semi-structured questionnaire is designed to collect information about Customers awareness, perception and the influence towards the growth of IFB business in selected branches of WB. Moreover, the research will contribute towards the fulfillment of the researcher's Master's Degree in Executive Business Administration (EMBA). Your valuable support in responding to the questions raised is very important to the success of this study. Hence, I kindly ask you in all regard to fill the questionnaire carefully at your best knowledge. The accuracy of information you provide determines the ultimate reliability of the study.

Note: Your answers will be strictly confidential and will only be used for academic purposes.

Contact Address:

If you have any query, please don't hesitate to contact me. I am available as per your convenience at – Tele - 0910303003

Thank you in advance for your cooperation and timely response!

General information

1. Date ______________________

2. Code of the questionnaire ______________

3. Name of the branch _______________

A. **Demographic Profile of Respondents**

Age

- ☐ below 20
- ☐ 21-35
- ☐ 36-55
- ☐ above 56

Sex

- ☐ Male
- ☐ Female

Occupation

- ☐ Business person
- ☐ Employee of government
- ☐ Employee of private organization
- ☐ Employee of NGO
- ☐ Student
- ☐ If other please specify_____________________

Education

☐ Read and write ☐ Secondary School (9-12)
☐ Primary School (1-8) ☐ above secondary

Income of respondent

☐ below 5000 ☐ 5001-2000
☐ 20001 -50000 ☐ above 50000

Religion

☐ Muslim ☐ Orthodox ☐ Protestant ☐ Catholic
☐ If other specify _________________

B. Awareness of Islamic Banking Products and Services

1. Which of the following Islamic banking products and services are you aware of?

	Deposit Products	**I am aware**	**I am not aware**
1	WadiahAmanah (safe Keeping Deposit Account)		
2	Mudarabah (PLS) Saving Account		
3	Qard (Current/checking/Demand Deposit Account)		
	Financing (loan) products		
4	Mudarabah (Fixed Time Deposit Account)		

5	Murabah financing (cost plus profit)		
6	Ijarah financing (Islamic leasing)		
7	Musharaka (Partnership financing)		
8	Mudarabah financing (sleeping partnership)		

C. Understanding on IFB system and Operation

S/no	Statement	Score				
		Absolutely true (5)	True (4)	Neutral (3)	Untrue (2)	Absolutely Untrue (1)
1	Islamic banking is the conduct of banking operations according to Sheria Law.					
2	Islamic banking is available for Muslims as well as non-Muslims.					
3	Islamic banking prohibits interest in all forms of transactions.					
4	Parties in Islamic banking cannot predetermine a guaranteed profit.					
5	Returns on Islamic banking are based on gift and profit sharing basis instead of interest.					
6	Islamic banking prohibits major uncertainty in all form of transactions.					
7	Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses.					
8	Each Islamic bank should have a Sheria Supervisory Board to ensure that all business activities are in line with Sheria requirements.					

D. **Perception of Respondent towards IFB**

What is your perception towards IFB?

S/no	Statement	Score				
		Absolutely true (5)	True (4)	Neutral (3)	Untrue (2)	Absolutely Untrue (1)
1	Interest free banking system was introduce because Muslims are prohibited from associating themselves with the element of interest practice by conventional banking system					
2	Is it true the IFB products available in WB window are similar to the products of interest based products except that the banks use different names in highlighting those products?					
3	WB has gone enough in delivering IFB product to you?					
4	The Profit- Loss- Sharing principle is the only principle representing a true spirit of the IFB system					
5	IFB must adopt a profit maximization principle in order to survive in the competitive business environment					
6	There is an advantage using the service of IFB					
7	The perception you have will impact the growth of IFB business					

Thank you

Appendix 1.2 1 : Responses of the respondents

Statistics

		Are you aware of Wadiya Amana deposit type	Are you aware of Mudaraba (PLS) saving?	Are you aware of (Qerd) demand deposit?	Are you aware of Mudaraba TD?	Are you aware of Murabah financing?	Are you aware of Ijara financing?	Are you aware of Musharaka (partnership)	Are you aware of Mudaraba financing
N	Valid	180	180	180	180	180	180	180	180
	Missing	0	0	0	0	0	0	0	0

Are you aware of Wadiya Amana deposit type

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	126	70.0	70.0	70.0
	I am not aware	54	30.0	30.0	100.0
	Total	180	100.0	100.0	

Are you aware of Mudaraba (PLS) saving?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	21	11.7	11.7	11.7
	I am not aware	159	88.3	88.3	100.0
	Total	180	100.0	100.0	

Are you aware of (Qerd) demand deposit?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	104	57.8	57.8	57.8
	I am not aware	76	42.2	42.2	100.0
	Total	180	100.0	100.0	

Are you aware of Mudaraba TD?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	2	1.1	1.1	1.1
	I am not aware	178	98.9	98.9	100.0
	Total	180	100.0	100.0	

Are you aware of Murabah financing?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	5	2.8	2.8	2.8
	I am not aware	175	97.2	97.2	100.0
	Total	180	100.0	100.0	

Are you aware of Ijara financing?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	3	1.7	1.7	1.7
	I am not aware	177	98.3	98.3	100.0
	Total	180	100.0	100.0	

Are you aware of Musharaka (partnership)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	5	2.8	2.8	2.8
	I am not aware	175	97.2	97.2	100.0
	Total	180	100.0	100.0	

Are you aware of Mudaraba financing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I am aware of	2	1.1	1.1	1.1
	I am not aware	178	98.9	98.9	100.0
	Total	180	100.0	100.0	

Appendix 1.3 1 : Statistical result of the Survey

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Awareness	Age less than 20 years	10	15.1000	1.28668	.40689	14.1796	16.0204	13.00	16.00
	Age 21-35 years	104	14.5288	1.34350	.13174	14.2676	14.7901	9.00	16.00
	Age 36-55 years	48	14.3125	1.03464	.14934	14.0121	14.6129	11.00	16.00
	56 years and above	18	14.6111	1.03690	.24440	14.0955	15.1267	13.00	16.00
	Total	180	14.5111	1.23943	.09238	14.3288	14.6934	9.00	16.00
Understanding	Age less than 20 years	10	37.0000	1.88562	.59628	35.6511	38.3489	33.00	39.00
	Age 21-35 years	104	35.4712	2.72691	.26740	34.9408	36.0015	29.00	39.00
	Age 36-55 years	48	36.0833	2.34142	.33796	35.4035	36.7632	29.00	39.00
	56 years and above	18	34.9444	3.03842	.71616	33.4335	36.4554	29.00	37.00
	Total	180	35.6667	2.64470	.19712	35.2777	36.0557	29.00	39.00
Perception	Age less than 20 years	10	32.0000	3.71184	1.17379	29.3447	34.6553	25.00	35.00
	Age 21-35 years	104	31.4038	2.41966	.23727	30.9333	31.8744	25.00	35.00
	Age 36-55 years	48	31.8125	2.11032	.30460	31.1997	32.4253	26.00	35.00
	56 years and above	18	31.0556	2.18207	.51432	29.9704	32.1407	27.00	35.00
	Total	180	31.5111	2.39760	.17871	31.1585	31.8638	25.00	35.00

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Awareness	Between Groups	5.574	3	1.858	1.214	.306
	Within Groups	269.404	176	1.531		
	Total	274.978	179			
Understanding	Between Groups	39.475	3	13.158	1.910	.130
	Within Groups	1212.525	176	6.889		
	Total	1252.000	179			
Perception	Between Groups	11.682	3	3.894	.674	.569
	Within Groups	1017.295	176	5.780		
	Total	1028.978	179			

Robust Tests of Equality of Means

		Statistic[a]	df1	df2	Sig.
Awareness	Welch	1.278	3	31.970	.299
Understanding	Welch	2.462	3	32.774	.080
Perception	Welch	.684	3	30.459	.569

a. Asymptotically F distributed.

Appendix 1.4 1References

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