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Determinants of the intention to adopt Islamic banking in a non-Islamic developing country

The case of Uganda

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Abstract

Purpose – This paper aims to investigate the contribution of attitude, subjective norm and religiosity on the intention to adopt Islamic banking in an emerging economy like Uganda, which is a secular state that is in the early stages of adopting Islamic banking.

Design/methodology/approach – This study uses a cross-sectional and correlational research design. Usable questionnaires were received from 258 managers of their own micro businesses. A hierarchical regression analysis was used to test the hypotheses.

Findings – Results indicate that attitude and religiosity are significant determinants of the intention to adopt Islamic banking, unlike subjective norm whose predictive power is subsumed in attitude. In the absence of attitude, subjective norm is a significant determinant of intention to adopt Islamic banking. Overall, attitude, subjective norm and religiosity explain 44 per cent of the variance in the intention to adopt Islamic banking in Uganda.

Research limitations/implications – This study is cross-sectional, excluding the monitoring of changes in behavior over time. Further, the study used evidence from owner-managed micro businesses in Uganda. It is possible that these results are only applicable to Uganda's micro businesses.

Originality/value – Islamic banking is an emerging phenomenon on the African continent, especially in Sub-Saharan Africa, where most countries are secular states. As such, there are largely no empirical studies exploring the combined contributions of attitude, subjective norm and religiosity on the intention to adopt Islamic banking in an emerging economy after the national adoption of an enabling legal framework. To the best of the researchers' knowledge, this is the first study that carries out this task.

Keywords Subjective norm, Attitude, Islamic banking, Religiosity, Uganda

Paper type Research paper

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Introduction

Islamic banking has been widely embraced among Muslims and also by non-Muslim countries globally. Islamic banking products and services have gained popularity in non-Muslim countries like the UK, Russia, the USA, Argentina, Australia, India, Philippines, Senegal, South Africa, Switzerland, Thailand, Denmark, Germany, Guinea, Niger, Nigeria as well as Muslim-majority countries (Abdullah *et al.*, 2012; Lujja *et al.*, 2016a). Reception of the Islamic banking system in those countries is attributed to subjective factors like awareness, reputation, the perceived benefit of finance without fixed interest rates and its stable nature (Jamshidi and Hussin, 2013; Kaawaase and Nalukwago, 2017). According to Saif Al Nasser and Muhammed (2013), countries that have adopted Islamic banking have enjoyed benefits such as interest-free loans, equal sharing of losses and economic growth.

In East Africa, Islamic banking is operating in Tanzania through the establishment of a full-fledged Islamic bank – the Amana Bank – while in Kenya, the Kenya Commercial Bank has windows that offer Islamic banking services in some of its branches (Dariyoush *et al.*, 2014). In Uganda, the law regulating commercial banks, the Financial Institutions Act 2004, was amended with the enactment of the Financial Institutions (Amendment) Bill 2015 on 6 January 2016. The intent was to pave the way for the inclusion of Islamic banking in Uganda's financial sector, although it faced stiff resistance from a section of Ugandans (Mwesigwa, 2016). However, the law permitting Islamic banking services was duly passed, and then, in February 2018, the financial institution regulations aimed at operationalizing Islamic banking were released to the public.

Despite that, it should be noted that as of June 2018 no bank had formally applied for an Islamic banking license (Uganda Business News, 2018), and by March 2019 only Tropical Bank Uganda had applied for an Islamic banking license. According to Senyonyi (2018), embracing Islamic banking means bank clients have to uphold high corporate governance principles related to transparency, trust and accountability that are critical when it comes to ensuring profitability in business. Senyonyi (2018) further argues that the success of Islamic banking will also depend on how good the economy is doing for parties involved to benefit.

Previous studies on adoption of Islamic banking using evidence from Uganda suggest a number of determinants of adoption of Islamic banking (Lujja *et al.*, 2016a; Lujja *et al.*, 2016b; Kaawaase and Nalukwago, 2017; Lujja *et al.*, 2018; Bananuka *et al.*, 2019). In their study of modeling public behavioral intention to adopt Islamic banking in Uganda using the theory of reasoned action, Lujja *et al.* (2016a) found that attitude influences behavioral intention to adopt Islamic banking in Uganda. The authors further found that subjective norm is not a significant predictor of behavioral intention to adopt Islamic banking but rather influences attitude toward the adoption of Islamic banking in Uganda. Further, behavioral belief influences the attitude toward adoption of Islamic banking in Uganda, while normative belief influences subjective norms of the public in Uganda (Lujja *et al.*, 2016a). In another study conducted by Lujja *et al.* (2016b) on the feasibility of adopting the Islamic banking system under the existing laws in Uganda, it was found that there is need for relevant laws to be amended such as section 37(a) and 38(1) of the Financial Institutions Act 2004 and section 29(3)(a) of the Bank of Uganda Act 2000. It was also noted by Lujja *et al.* (2016b) that tax legislation needs amendments to ensure a level playing field for Islamic and conventional finance products. Lujja *et al.* (2016b) recommended that Islamic banking businesses be given support in the form of prudential supervision and industrial development from regulators and averred that this will uphold public interest in Islamic banking. Lujja *et al.* (2018) found that Muslims are more knowledgeable about Islamic banking culture as compared to non-Muslims but note that both groups have low awareness about Islamic banking terminologies. Lujja *et al.* (2018) further found that there are

inconsistencies in Muslim and non-Muslim attitudes toward Islamic banking; non-Muslims are motivated by profitability, while Muslims are motivated by both profitability and religious reasons. Kaawaase and Nalukwago (2017) found that religiosity, attitude and subjective norm are significant predictors of patronizing Islamic banking and that religiosity is a mediator in the relationship between behavioral intentions (attitude and subjective norm) and patronizing Islamic banking in Uganda. Further, Bananuka *et al.* (2019) found that religiosity is significantly associated with the intention to adopt Islamic financing in Uganda.

The success of any product/service in the market is ultimately dependent on consumer acceptance. According to Salamoura *et al.* (2008), if a new product lacks customer acceptance, it will not be able to survive, sustain and grow in the current competitive market. Ajzen and Fishbein (1980) in their theory of reasoned action suggested that attitude and subjective norm influence the behavior of an individual toward performing the behavior in question. This is supported by Loo (2010); Alam *et al.* (2012); Lujja *et al.* (2016a) and Kaawaase and Nalukwago (2017). Calls for future studies on the adoption of Islamic banking are evident, especially in Uganda. For example, Kaawaase and Nalukwago (2017) called for future studies on Islamic banking using potential customers as respondents and after Islamic banking has operated in Uganda for some time.

In this study, we try to follow-up on Kaawaase and Nalukwago's (2017) findings by replicating the same study but differing on the sample. In Kaawaase and Nalukwago (2017), only existing bank account holders were the respondents; while in this study, managers and owners of micro businesses, with or without existing bank accounts, are the respondents. This study was conducted after all the necessary Islamic banking laws were in place, unlike previous studies (Lujja *et al.*, 2016b; Kaawaase and Nalukwago, 2017; Lujja *et al.*, 2018), which were conducted when Islamic banking was still at the inception stage. Therefore, this paper investigates the contribution of attitude, subjective norm and religiosity to the intention to adopt Islamic banking in an emerging economy like Uganda, which is a secular state that is adopting Islamic banking for the first time. To the researchers' knowledge, this is the first study to examine the intention to adopt Islamic banking products and services in an emerging economy focusing on managers of micro businesses registered in Uganda using attitude, subjective norm and religiosity as possible explanations of intention to adopt Islamic banking. Results suggest that attitude, subjective norm and religiosity are significant determinants of intention to adopt Islamic banking in Uganda. However, the predictive power of subjective norm is subsumed in attitude.

The findings of this study are important in the following ways. First, the study contributes to the existing scant literature on the contribution of attitude, subjective norm and religiosity on the intention to adopt Islamic banking in an emerging economy that is not inclined to any religion. Second, the study provides insight on how Ugandans are prepared to embrace Islamic banking once introduced. Third, the study prepares banks to be ready to market Islamic banking products to their customers and other Ugandans despite the different religions that exist in Uganda. Catholics are the largest religious denomination in the country, constituting 39.3 per cent, Anglicans follow with 32 per cent and Muslims with 13.7 per cent. Together, these denominations account for 85 per cent of the total population (Uganda Bureau of Statistics, 2016).

The rest of the paper is structured as follows. The existing literature is reviewed next to arrive at the hypotheses. The succeeding section is on methodology, where the research design is outlined, followed by a section presenting results. Discussion of the results then follows, and the final section comprises a summary with conclusions.

Literature review

Theoretical foundation

Intention is defined as how hard someone is willing to try to perform a behavior and what level of determination one is planning to use toward performing the behavior in question. This study uses the theory of reasoned action (TRA) to provide insights into the intention to adopt Islamic banking. TRA, according to Fishbein and Ajzen (1975) and Orobia *et al.* (2016), is a theory that assumes individuals make rational decisions (intention) pertaining to their actions. This means that for every behavior there must be an intention to perform that behavior. It thus follows that the higher the behavioral intention, the greater will be the probability of performing the behavior in question (Gumel *et al.*, 2015). The TRA model uses two major factors that contribute to behavioral intention. These are the attitude toward the behavior and subjective norm. Besides TRA, religiosity is another factor that can influence intention to adopt Islamic banking (Mokhlis, 2008; Alam *et al.*, 2012). Intention to adopt Islamic banking would best be explained by awareness and perceived benefits (Davis *et al.*, 1989; Echchabi and Azizi, 2012). Jaffar and Musa (2014) defined awareness as a condition of having or showing realization, perception or knowledge of a situation or fact. According to Davis *et al.* (1989), perceived usefulness is a fundamental element of the Technology Acceptance Model (TAM) used to measure customers' behavioral intention. Davis *et al.* (1989) defined perceived usefulness as the degree to which a person believes that using a particular system will make them enjoy its benefits.

The theory of diffusion of innovation (DOI) is also relevant to this study. According to Rogers (2003), DOI asserts that innovation diffusion is a general process not bound by the type of innovation studied, by who the adopters are, or by place or culture. Rogers (1995, p. 5) defined diffusion as the process by which an innovation is communicated through various channels over time among the members of a social system. The theory of DOI has four important elements: innovation, communication channels, time, and social system. An innovation is an idea, practice or project that is perceived as new by an individual or other unit of adoption (Rogers, 2003, p. 12). An innovation may have been invented long ago, but if individuals perceive them as new then the innovation is new (Sahin, 2006). An example is the concept of Islamic banking, which is uncommon in many firms, especially in developing countries like Uganda. "Communication channels" is the second element of DOI. Rogers (2003) defined it as a process in which participants create and share information with one another to reach a mutual understanding. The next element is time. The timing of adoption of Islamic banking is proper for Uganda given the high interest rates being charged by the existing commercial banks. Finally, the social system is defined as a set of interrelated units engaged in joint problem solving to accomplish a common goal (Rogers, 2003, p. 24). In this paper, social systems include the various stakeholders of commercial banks like religious leaders, account holders and the society as a whole. The DOI theory clearly stipulates that for an innovation to be successful there is need for change agents; that is, those individuals capable of changing the minds of others toward adoption of a given innovation. In this study, Islamic banking is seen as an innovation andreligious leaders, political leaders and clan leaders are considered change agents.

Relationship between attitude and intention to adopt Islamic banking

Attitude toward behavior means the extent to which a person has a favorable or unfavorable evaluation or appraisal of a given behavior (Mohd Suki, 2010; Orobia *et al.*, 2016). Loo (2010), while studying attitudes and perceptions toward Islamic banking among Muslims and non-Muslims in Malaysia, explained attitude in terms of cognitive and affective factors. By cognitive factors he means knowledge and understanding of Islamic banking and how it

works while by affective factors he means feelings about it and how it relates to the respondents' perception of themselves. According to Fishbein and Ajzen (1975), in the TRA model, attitude is determined by someone's salient beliefs about the consequences of performing the behavior multiplied by the evaluation of those consequences.

Attitude has been found to be an influential factor in predicting people's intention to adopt different products and services. For example, Amin *et al.* (2011) found that attitude has significantly influenced customers to use Islamic personal finance in Malaysia. In the same way, Echchabi and Azizi (2012) proved that attitude plays an important role in modeling the patronization behavior of Islamic banks. Further, Ramayah *et al.* (2009) found that attitude is significant in explaining investors' intention to use internet stock trading. Extant literature further reveals that attitude is one of the most influential factors in determining people's intention to adopt a given product or services. In their study, Kaawaase and Nalukwago (2017) found a positive association between attitude and intention to patronize Islamic banking among existing conventional bank customers in Uganda. Similarly, Lujja *et al.* (2016a) found a positive relationship between attitude and intention to adopt Islamic banking in Uganda. Based on the foregoing discussion, it can be hypothesized that:

H1. Attitude is positively associated with intention to adopt Islamic banking.

H1a. Affective attitude is positively associated with intention to adopt Islamic banking.

H1b. Cognitive attitude is positively associated with intention to adopt Islamic banking.

Relationship between subjective norm and intention to adopt Islamic banking

Subjective norm is when an individual's perception of a given product or innovation is driven by those important to him or her. Ajzen (1991) summarized subjective norm as the social pressures on the individual to perform or not to perform a particular behavior. This means that subjective norm controls the behavior that is instigated by the desire to act as others think you should act. Subjective norm is, therefore, internally controlled; it does not operate through external reinforcement (Ab. Rahim and Amin, 2011). According to Chang (1998) and Kalafatis *et al.* (1999), family influence and friends' opinions are the vectors of subjective norm. Further, it was revealed that the perception of Islamic banking is very weak in Turkish society (Yanīkkaya and Pabuççu, 2017) as a significant portion of the society thinks that Islamic banking is not necessarily interest-free. These respondents are inclined to cost-benefit considerations in decisions about which bank to use.

Gumel *et al.* (2015), in a critical review of research on customers' adoption of Islamic banking concluded that the subjective norm component of the theory of reasoned action was the most important factor in shaping people's intention to adopt *mushārakah mutanāqiṣah* home financing (contract of partnership between two parties in which one partner gradually buys out the other partner's equity share in the property). Similarly, Ab. Rahim and Amin (2011) found that subjective norm was of great value in influencing customers' adoption of Islamic insurance. Furthermore, Abduh *et al.* (2011), in their study of factors influencing depositors' withdrawal behavior in Islamic banks, found subjective norm to be a very strong factor. Nevertheless, Saunders *et al.* (2007) and Abdullah *et al.* (2016) found a negative relationship between subjective norm and intention to adopt. Based on those varying results, this paper tries to reaffirm that subjective norm is associated with the intention to adopt Islamic banking in Uganda by hypothesizing that:

H2. Subjective norm is associated with the intention to adopt Islamic banking in Uganda.

Relationship between religiosity and intention to adopt Islamic banking

According to Kaawaase and Nalukwago (2017), religiosity measures the influence of religion on one's behavior and action. Further, religiosity is defined as one's relationship with a particular faith tradition or doctrine about a divine other or supernatural power (Reich *et al.*, 1999; Wong *et al.*, 2006). In this study, we define religiosity as the religious commitment that denotes participation in, or endorsement of practices, beliefs, attitudes or sentiments that are associated with an organized community of faith. Religiosity is explained in terms of ideology and religious experience. According to Huber and Huber (2012), the ideology dimension is about beliefs and an unquestioned conviction someone has about the existence of God and anything of divine nature. The religious experience dimension means that as someone practices the religion for a long period they start to develop an emotional feeling, most especially when something that contradicts their religious belief happens.

Kaawaase and Nalukwago (2017), while studying religiosity and Islamic banking in Uganda, found a positive relationship between religiosity and existing bank customers' intention to patronize Islamic banking in Uganda. Rehman and Shabbir (2010), investigating the relationship between religiosity and new product adoption, found that religiosity had an impact on Muslim consumers' likes and dislikes and that they consider buying products if the products do not conflict with their religious beliefs. Vitell and Paolillo (2003) conclude that because religiosity is a significant determinant of both idealism and relativism it is indirectly a significant determinant of consumer ethical beliefs and practices. Further, Bley and Kuehn (2004), when examining conventional versus Islamic finance, found that the preference for Islamic banking is primarily driven by religious beliefs and not financial knowledge. This implies that the stronger the religious commitment the greater the preference for Islamic banking services. In studying whether religiosity is an important factor in influencing the intention to undertake Islamic home financing in Klang Valley, Alam *et al.* (2012) found that the religiosity level of customers plays a significant role in influencing their intention. Bananuka *et al.* (2019) found that religiosity is a significant predictor of intention to adopt Islamic financing in Uganda. On the contrary, Haron *et al.* (1994) found that religiosity is not important to customers dealing with Islamic banks. Amin *et al.* (2011) also stated that religiosity is not significant in the intention to use Islamic personal financing.

These conflicting findings indicate that more studies are needed to confirm the effect of religiosity on willingness to adopt Islamic banking, most especially in non-Muslim countries like Uganda. It can thus be hypothesized that:

H3. Religiosity is positively associated with intention to adopt Islamic banking in Uganda.

Methodology

Research design, population and sample

This study's research design is both cross-sectional and correlational. This study's target population was 92,996 micro businesses located in Kampala Business District, from which a sample of 382 micro businesses was determined using Krejcie and Morgan's Table of 1970. Usable questionnaires were received from 258 respondents, representing a response rate of 68 per cent. Simple random sampling without replacement was used to select micro businesses. Based on the Uganda Bureau of Statistics (UBOS, 2011) report on the census of business establishments 2010/11, there are 458,106 businesses in Uganda. In total, 132,851 (29 per cent) of the total businesses in Uganda are in Kampala and 92,996 (70 per cent) of these businesses in Kampala are micro businesses. According to UBOS (2011), micro

businesses are those businesses which employ less than five employees and have a gross turnover of less than 10 million annually. The report also highlights that Kampala District is the biggest commercial district and the focal point of businesses in Uganda. Most of these micro businesses have limited sources of finance. In most cases, they use debt financing and need cheaper sources of finance. Hence, Islamic banking may be an alternative source of finance to them.

The owner of a micro business was the unit of inquiry. Male respondents were 123 (or about 48 per cent) and female respondents were 135 (or about 52 per cent), which means that females are more into micro businesses in Uganda compared to males. The majority of respondents were aged 30 years and below, representing 72 per cent of the respondents, while only 28 per cent were aged above 30 years. The implication of such a finding is that in Uganda the youth are more into micro businesses than other Ugandans. The sources of funding for micro businesses are equity, debt and sometimes both. Fifty per cent of the respondents use their own savings as compared to 12 per cent who employ debt as a source of funding for a micro business. Respondents who employ both debt and equity are 38 per cent. However, it can also be argued that since interest rates are high in Uganda, owners of micro businesses may be reluctant to opt for debt financing from existing conventional banks.

In terms of religious preference, Muslims were more interested in responding to the questionnaires than Christians. There were 131 Muslims who filled out the questionnaire (about 51 per cent of all respondents) as compared to 117 (or about 45 per cent) Christians. Other denominations accounted for only 4 per cent. The respondent profile is summarized in Table I.

Reliability and validity

Factor analysis was used to test for reliability and validity of the data collection instrument. Factor analysis was done by running a rotated component matrix thereby reducing the

Background information	Frequency	(%)
Gender		
Male	123	47.7
Female	135	52.3
Total	258	100
Age		
30 years and below	186	72.1
Above 30 years	72	27.9
Total	258	100
Source of funding		
Equity	129	50.0
Loans	32	12.4
Both equity and Loans	97	37.6
Total	258	100
Religious preference		
Christian	117	45.3
Muslim	131	50.8
Others	10	3.9
Total	160	100

Source: Primary data

Table I.
Respondent profile

questions to those most relevant to the study variables. Before running factor analysis for our scales, the suitability of the data for factor analysis, based on sample size adequacy, was assessed by performing the Keiser–Meyer–Olkin (KMO) and Bartlett tests. According to Kaiser (1974), KMO and Bartlett tests, once computed, enable factor analysis to yield different and reliable factors. Field (2009) explains that KMO and Bartlett tests' values range from 0 to 1. The following criteria are used to assess and describe the sampling adequacy (Kaiser, 1974; Hutcheson and Sofroniou, 1999; Field, 2009):

- Below 0.5 = Unacceptable.
- 0.5 to 0.7 = Mediocre.
- 0.7 to 0.8 = Good.
- 0.8 to 0.9 = Great.
- 0.9 and above = Superb.

The results show that the KMO values for the predictor and outcome variables are all above 0.5, which is acceptable, while Bartlett's test of sphericity is also significant, with the significant value being 0.000 for each scale (Tables II to V).

This study's data collection instrument was a questionnaire with close-ended questions. The questionnaire was designed on a five-point Likert scale ranging from strongly disagree (1) to neutral (3), then to strongly agree (5). The questionnaire was divided into two parts, including a section for background information and another for the study variables.

Statements	Component	
	Affective	Cognitive
I am interested in using Islamic banking	0.833	
I will definitely recommend Islamic banking to other people	0.809	
Islamic banks can be an alternative bank for me	0.779	
Engaging in Islamic banking products and services would be my consideration in the near future	0.775	
Subscribing to Islamic banking would be a peace of mind to me	0.769	
The concept of interest-free, profit-and-loss sharing will encourage me to choose Islamic banking products and services	0.694	
Islamic banking will work in Uganda	0.646	
The government shows commitment to develop Islamic banking in Uganda in its true spirit		0.768
I understand the concept of Islamic banking		0.724
I have enough information pertaining to the Islamic banking system and [am] ready to do business with Islamic banks		0.707
Islamic banking products and services are used by both Muslims and non-Muslims in some countries around the world		0.566
Islamic banking system invests in businesses that are not prohibited by Islamic law (Sharīʿah)		0.538
Eigen values	*5.346*	*1.477*
Percentage of variance	*35.788*	*21.068*
Cumulative percentage	*35.788*	*56.856*
KMO 0.881		
Bartlett's test of sphericity 1391.460		
Extraction method: principal component analysis		
Rotation method: varimax with Kaiser normalization		

Source: Primary data

Table II. Rotated component matrix for attitude

Table III. Rotated component matrix for subjective norm

Statements	Component: Friends' opinions	Component: Family influence
When it comes to a matter of Islamic banking, I would like to be like my friends	0.799	
It is expected of me by my friends that I should use Islamic banking, and I can't disappoint them	0.772	
The opinion of my friends about Islamic banking is important to me	0.703	
Most of my friends/colleagues are ready to adopt Islamic banking services because they assume it is better than conventional banks	0.686	
I will consider what my friends say about Islamic banking before choosing it	0.670	
My family is important to me, and they support me to undertake Islamic banking products and services	0.625	
The decision to use Islamic banking is beyond my control		0.824
If I had a choice of whether to choose or not to choose Islamic banking, I would decide but that is a family matter		0.789
I cannot change my family position about Islamic banking		0.703
Eigen values	*3.089*	*1.960*
Percentage of variance	*34.027*	*22.074*
Cumulative percentage	*34.027*	*56.101*
KMO 0.746		
Bartlett's test of sphericity 670.733		
Extraction method: principal component analysis		
Rotation method: varimax with Kaiser normalization		

Source: Primary data

Questions on intention to adopt Islamic banking were adopted from the work of Kaabachi and Obeid (2016), whose study sought to identify the main factors that influence the adoption of Islamic banking services in Tunisia. They used five-item scales such as "You are aware about the differences between conventional banking system and Islamic banking system," "The features and benefits of the Islamic banking products offered by Islamic banks are known to you" to evaluate awareness of Islamic banking services. Kaabachi and Obeid (2016) further used five-item scales such as "Islamic banks operate according to Islamic principles (Sharīʿah)" to measure relative advantage. More item scales were adopted from previous studies like Amin *et al.* (2011), Amin *et al.* (2014) and Kaawaase and Nalukwago (2017). In this study, intention to adopt Islamic banking was operationalized using measures such as perceived benefit and awareness level as adopted from previous studies (Amin *et al.*, 2011; Amin *et al.*, 2014; Kaabachi and Obeid; 2015; Kaawaase and Nalukwago, 2017). Jaffar and Musa (2014) defined awareness as a condition of having or showing realization, perception or knowledge of a situation or fact. Davis *et al.* (1989) defined perceived benefit (helpfulness) as the extent to which a person believes that using a particular system will enable them enjoy its benefits. Schiffman and Kanuk (2004), while studying consumer behavior used knowledge (cognitive attitude) and feeling (affective attitude) to operationalize attitude. Chang (1998) and Kalafatis *et al.* (1999), in their respective studies, operationalized subjective norm using family influence and friends' opinions. In a similar way, Amin *et al.* (2011) in their study found that consumer intention toward the use of Islamic financing was based on the subjective norms of their relatives and friends. Religiosity was operationalized using religious experience and ideology as has often been used in previous studies (Huber and Huber, 2012; Amin *et al.*, 2014; Souiden

Statements	Component Religious experience	Ideology
You always experience a situation that God is in your presence and watching whatever action you are taking	0.846	
I feel happy when someone performs good deeds concerning my religion	0.844	
All human activities must be done for the sake of God, the Creator and Sustainer of earth and heavens	0.825	
I do believe that God or something of divine exists in all aspects of life	0.825	
God's rules fulfill all His creatures' needs	0.799	
I have a feeling that God or something divine intervenes in my life	0.686	
I always try to avoid minor and major sins in my religion	0.659	
I will choose Islamic banking because it does not contradict with my religion	0.554	
Religious leaders should have influence over the decisions of government	0.524	
Religious practice is a private matter and should be separated from social and economic life		0.846
Investing with Islamic banking conflicts with my religious beliefs		0.824
Eigen values	*5.021*	*1.386*
Percentage of variance	*45.028*	*13.221*
Cumulative percentage	*45.028*	*58.249*
KMO 0.892		
Bartlett's test of sphericity 1264.852		
Extraction method: principal component analysis		
Rotation method: varimax with Kaiser normalization		

Source: Primary data

Table IV. Rotated component matrix for religiosity

and Rani, 2015; Kaawaase and Nalukwago, 2017). Souiden and Rani (2015), for example, used 19 items to operationalize religiosity, grouping them in four dimensions:

(1) fear of divine punishment, including questions such as "I am afraid that Allah is going to punish me in some way";

(2) religious involvement, including questions such as "I attend religious sermons at the mosque";

(3) religious belief, which comprised four items such as "I believe in the application of Sharīʿah"; and

(4) susceptibility to give in to temptations, which comprised three items such as "I am a believer, but sometimes I have a tendency to sin."

In this study, 11 items are used to operationalize religiosity, and these items are grouped into two dimensions, notably religious experience and ideology.

The model

The study uses the hierarchical regression analysis in investigating the contribution of attitude, subjective norm and religiosity on intention to adopt Islamic banking in Uganda. Specifically, the model below was tested (Table VI):

$$ITB = \beta_0 + \beta_3 SUB + \varepsilon j \qquad \text{(Model I)}$$

$$ITB = \beta_0 + \beta_3 REL + \varepsilon j \qquad \text{(Model II)}$$

Table V. Rotated component matrix for intention to adopt Islamic banking

Statements	Component: Perceived benefit	Component: Awareness
Islamic banking can work as a complementary system to conventional banking	0.774	
I am aware that Islamic banking provides finances to micro and small and medium enterprises (SMEs)	0.743	
Islamic banking will boost entrepreneurship in Uganda through provision of finances on the basis of profit-or-loss sharing	0.712	
Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time	0.644	
Islamic banking can provide loans to micro businesses with no fixed interest rates	0.638	
Islamic banks provide loans to those who do not have securities at disposal and better credit rating	0.636	
I have heard about Islamic banking and am ready to accept it	0.632	
Ugandan economy would benefit from inflow of funds from Arab investors	0.626	
Islamic banking provides a solution to contemporary financial problems	0.603	
Islamic banking products and services are acceptable among all Muslims and non-Muslims	0.518	
Islamic banking is compliant to the Islamic law		0.811
Islamic banking products and services are different from those of conventional banking		0.768
Eigen values	*5.871*	*1.866*
Percentage of variance	*36.676*	*19.458*
Cumulative percentage	*36.676*	*56.134*
KMO 0.924		
Extraction method: principal component analysis		
Rotation method: varimax with Kaiser normalization		

Source: Primary data

Table VI. Measurement of variables

Variable	Acronym	Variable description
Dependent variable		
Intention to adopt Islamic banking	ITB	Measured by average rating on a five-point Likert scale of questions on awareness and perceived benefit
Predictor variables		
Attitude	ATT	Measured by average score of questions on affective feeling and cognitive feeling
Affective attitude	AFF	Average score of questions on a five-point Likert scale on affective attitude
Cognitive attitude	COG	Average score of questions on a five-point Likert scale on cognitive attitude
Subjective norm	SUB	Measured by average score of questions on family influence and friends' opinion
Religiosity	REL	Average score of questions on religious experience and ideology
	εj	Error term
	β_0	Constant

$$ITB = \beta_0 + \beta_1 AFF + \varepsilon j \quad \text{(Model III)}$$

$$ITB = \beta_0 + \beta_1 COG + \varepsilon j \quad \text{(Model IV)}$$

$$ITB = \beta_0 + \beta_1 ATT + \varepsilon j \quad \text{(Model V)}$$

$$ITB = \beta_0 + \beta_3 SUB + \beta_3 REL + \varepsilon j \quad \text{(Model VI)}$$

$$ITB = \beta_0 + \beta_1 ATT + \beta_3 SUB + \beta_3 REL + \varepsilon j \quad \text{(Model VII)}$$

Results

Descriptive statistics

Means and standard deviations were generated in this study to summarize the observed data since, according to Field (2009), means represent a summary of the data while standard deviations show how well the means represent the data. The mean score for the dependent variable (intention to adopt Islamic banking) is 3.94 while the standard deviation is 0.78. This means that, on average, Ugandans will adopt Islamic banking products in the event that they are introduced. However, given that the dependent variable is measured on a five-point Likert scale, the minimum score of 1.25 indicates that there are some Ugandans not willing to adopt Islamic banking products should it be introduced. The mean and standard deviation for attitude is 3.74 and 0.76 while that for subjective norm is 2.80 and 0.75 respectively. Further, the mean and standard deviation for religiosity is 3.31 and 0.69 respectively. The standard deviation for attitude, subjective norm, religiosity and intention to adopt Islamic banking are small as compared to their mean values, and thus the statistical means are a good fit of the observed data. Further, family influence and ideology have lower mean values and high standard deviations, which implies that respondents are not consistent in the way they perceive the two. The highest mean value was 3.95 for awareness and the lowest mean value was 2.40 for family influence (Table VII).

Variable	Min	Max	Mean	SD
Affective (feeling)	1.29	5.00	3.9369	0.88976
Cognitive (knowledge)	1.00	5.00	3.5457	0.86335
Attitude	1.24	5.00	3.7413	0.76354
Friends opinion	1.00	5.00	3.1486	0.98250
Family influence	1.00	5.00	2.4574	1.08487
Subjective norm	1.00	4.67	2.8030	0.75497
Religious experience	1.00	5.00	4.2330	0.80573
Ideology	1.00	5.00	2.4012	1.25492
Religiosity	1.00	5.00	3.3171	0.69197
Perceived benefits	1.00	5.00	3.9341	0.79698
Awareness	1.00	5.00	3.9535	0.96018
Intention to adopt Islamic banking	1.25	5.00	3.9438	0.78854

Source: Primary data

Table VII. Descriptive statistics

Table VIII. Zero order correlations

Variable	1	2	3	4	5	6	7	8	9	10	11	12
Affective attitude (feeling) (1)	1											
Cognitive attitude (knowledge) (2)	0.517**	1										
Attitude (3)	0.875**	0.867**	1									
Friends opinion (4)	0.424**	0.462**	0.508**	1								
Family influence (5)	−0.089	−0.085	−0.100	0.065	1							
Subjective norm (6)	0.212**	0.239**	0.259**	0.697**	0.761**	1						
Religious experience (7)	0.532**	0.420**	0.547**	0.316**	−0.154*	0.095	1					
Ideology (8)	−0.136*	−0.085	−0.128*	−0.022	0.511**	0.353**	−0.153*	1				
Religiosity (9)	0.186**	0.167**	0.203**	0.164**	0.374**	0.375**	0.444**	0.818**	1			
Perceived benefits (10)	0.629**	0.602**	0.707**	0.554**	−0.138*	0.261**	0.646**	−0.107	0.279**	1		
Awareness (11)	0.417**	0.430**	0.486**	0.359**	−0.130*	0.141*	0.477**	−0.072	0.212**	0.608**	1	
Intention to adopt Islamic banking (12)	0.572**	0.566**	0.653**	0.499**	−0.149*	0.218**	0.617**	−0.098	0.270**	0.875**	0.916**	1

Notes: **Correlation is significant at the 0.01 level (two-tailed); *correlation is significant at the 0.05 level (two-tailed)
Source: Primary data

Correlation analysis results

The correlation analysis results are presented in Table VIII. Pearson's correlation coefficient analysis was conducted to establish the relationships between the predictor variables (attitude, subjective norm and religiosity) and the outcome variable (intention to adopt Islamic banking). The intention was to evaluate whether linear relationships existed between predictor variables and the outcome variable. Pearson's correlation coefficient (r) was used because it is a parametric statistic and requires interval data for both variables (Garson, 2012). As a result, bivariate-correlation analyses were performed and Pearson correlation coefficients were generated to measure the direction and size of the relationship between the study variables (Field, 2009). The correlations reveal that attitude is positively associated with intention to adopt Islamic banking (r = 0.653**, $p < 0.01$) (Table VIII) and thus *HI*, which states that attitude is positively associated with intention to adopt Islamic banking, is preliminarily confirmed. One's attitude toward Islamic banking may include a feeling about Islamic banking products and knowledge about them. The significant association of attitude and intention to adopt Islamic banking implies that a positive change in attitude will lead to a positive change in the intention to adopt Islamic banking in Uganda.

Further, the results in Table VIII indicate that there is a significant positive relationship between subjective norm and intention to adopt Islamic banking ($r = 0.218$** and $p < 0.01$); thus *H2*, which states that subjective norm is associated with the intention to adopt Islamic banking in Uganda, is preliminarily confirmed. The implication of such a finding is that a positive change in subjective norm leads to a positive change in the intention to adopt Islamic banking.

The results in Table VII also indicate a significant positive relationship between religiosity and intention to adopt Islamic banking ($r = 0.270$** and $p < 0.01$), and thus *H3*, which states that religiosity is positively associated with intention to adopt Islamic banking in Uganda, is preliminarily confirmed. This means that a positive change in religiosity leads to a positive change in the intention to adopt Islamic banking.

Regression analysis results

We use a hierarchical regression model to assess the contribution of each predictor variable to the dependent variable. Overall, attitude, subjective norm and religiosity contribute 44 per cent of the variance in intention to adopt Islamic banking (Table IX). According to Field

Item	Model I	Model II	Model III	Model IV	Model V	Model VI	Model VII
Constant	3.307	2.923	1.949	2.111	1.420	2.719	0.988
Subjective norm	0.218**					0.135**	0.003
Religiosity		0.270**				0.219**	0.143**
Affective			0.572**				
Cognitive				0.566**			
Attitude					0.653**		0.624**
Model *f*	12.721**	20.15**	124.39**	120.72**	190.55**	12.407**	68.286**
Adjusted *R* square	0.044	0.069	0.324	0.318	0.424	0.082	0.440
R square	0.047	0.073	0.327	0.320	0.427	0.089	0.446
F change	12.721**	20.15**	124.39**	120.72**	190.55**	11.568**	164.166**
R square change	0.047	0.073	0.327	0.320	0.427	0.041	0.358
Durbin–Watson							1.851

Note: **Significant at the 0.01 level
Source: Primary data

Table IX. Hierarchical regression analysis

(2009), predictors are entered into the model based on past experience, but the researcher decides on which order predictor variables are entered into the model. Model I is the starting model, with only subjective norm (the least important variable), and is found to be a significant predictor of intention to adopt Islamic banking in Uganda in the absence of attitude and religiosity. In Model II, religiosity independently predicts intention to adopt Islamic banking. For Models III and IV, affective and cognitive attitude are used as proxies of attitude. In Model III, affective attitude is tested and found to be a significant predictor of intention to adopt Islamic banking. For Model IV, cognitive attitude is found to be a significant predictor of intention to adopt Islamic banking. In Model V, attitude is tested and found to be a significant predictor of intention to adopt Islamic banking. Model VI has only subjective norm and religiosity. Subjective norm and religiosity become significant predictors of intention to adopt Islamic banking. In Model VII, subjective norm, religiosity and attitude are included, and it turns out that subjective norm is not a significant predictor of intention to adopt Islamic banking in the presence of attitude. From our final model (Model VII) which is our final model, we conclude that *H1* and *H3* are supported while *H2* is not supported. Also to note is that in Models III and IV, *HI(a)* and *H1(b)* are supported. Therefore, attitude, subjective norm and religiosity are significant determinants of intention to adopt Islamic banking in Uganda except that the predictive power of subjective norm is subsumed in attitude. The standardized β values were used in this study because they tell the number of standard deviations that the outcome variable will change as a result of one standard deviation change in the predictor variable (Field, 2009). The standardized beta values are all measured in standard deviation units and so are directly comparable; therefore, they provide a better insight into the "importance" of a predictor in the model (Field, 2009).

Discussion

According to the present results, the contributions of attitude, subjective norm and religiosity on intention to adopt Islamic banking in a developing country like Uganda are as follows:

- Attitude, subjective norm and religiosity contribute to positive variances in the intention to adopt Islamic banking in Uganda, but the contribution made by subjective norm will not be significant when attitude is present. However, in the absence of attitude, subjective norm will significantly influence positive variances in the intention to adopt Islamic banking.
- Cognitive and affective attitudes, when used as proxies of attitude, are significant predictors of the intention to adopt Islamic banking.
- The contribution of subjective norm to the intention to adopt Islamic banking is better observed through friends' opinions and family influence.
- The contribution of religiosity to the intention to adopt Islamic banking is better observed through religious experience and ideology.

These results suggest that the intention to adopt Islamic banking is more associated with attitude as compared to religiosity and subjective norm. It is thus important that peoples' attitudes be carefully understood for Islamic banking to be successful in Uganda. For example, the proprietors of Islamic banks need to know that Ugandans expect Islamic banking to be an alternative banking system and that they expect it to bring them peace of mind.

Results further indicate that feelings (affective) and knowledge (cognitive) independently are significant predictors of intention to adopt Islamic banking. It is thus important that players in Islamic banking in Uganda capitalize on feelings of Ugandans and carry out mass sensitization of Ugandans about Islamic banking products and principles. There is a need to invest in various media centers, trade unions and schools/universities to educate the masses about Islamic banking.

The findings of this study are consistent with the findings of previous researchers; for example, Lujja *et al.* (2016a), who found a positive relationship between attitude and behavioral intention to adopt Islamic banking. Similarly, Kaawaase and Nalukwago (2017) found that attitude is a significant predictor of patronizing Islamic banking in Uganda using existing bank account holders as respondents. In the same way, Echchabi and Aziz (2012) proved that attitude played an important role in modeling the behavior of patronizing Islamic banks. Likewise, Amin *et al.* (2011) studied customers' intention to use Islamic financing and found that attitude had a positive relationship with intention to use Islamic financing in Malaysia.

Subjective norm is another predictor of the intention to adopt Islamic banking though it becomes critical in the absence of attitude. This means that, for Islamic banking to be successful in Uganda, there is need to engage those who influence the decisions of others; for example, church leaders, imams, heads of associations and, possibly, political leaders. The influence of family members and friends' opinions is very important at this point. In this study, it is evident that one's family influence has an impact on the uptake of Islamic banking services However, this study's results for subjective norm are inconsistent with the findings of previous researchers; for example, Gumel *et al.* (2015), who studied critical insights into an integrated literature review on customers' adoption of Islamic banking research, concluded that the subjective norm component of the theory of reasoned action was the most important factor in shaping people's intention to adopt *mushārakah mutanāqiṣah* home financing. Similarly, Ab. Rahim and Amin (2011) found that subjective norm was of great value in influencing customers' adoption of Islamic insurance. Furthermore, Abduh *et al.* (2011) in their study of factors influencing depositors' withdrawal behavior in Islamic banks, found subjective norm a very strong factor.

In terms of religiosity, the results of the current study suggest that religiosity significantly contributes to the intention to adopt Islamic banking in Uganda. Religious experience has a positive association with intention to adopt Islamic banking, unlike ideology. For religious experience, Ugandans feel happy when their counterparts perform what is good and what God requires them to do. These results are consistent with those of Kaawaase and Nalukwago (2017), who found that religiosity is positively associated with patronizing Islamic banking in Uganda. This study's results further agree with the findings of Rehman and Shabbir (2010), who investigated the relationship between religiosity and new product adoption and found that religiosity had an impact on Muslim consumers' likes and dislikes and that they consider buying products if the products do not violate or contradict their religious beliefs. However, the present results contradict those of Amin *et al.* (2011), who found that religious obligation is not significantly related to intention to use Islamic banking products.

Although no bank had been licensed to offer Islamic banking services by June 2018, studies have been conducted in Uganda on the adoption of Islamic banking. It is thus possible that the previous study findings have not yet been fully implemented. Previous studies have documented that attitude, subjective norm and religiosity are important in the adoption of Islamic banking products in Uganda (Lujja *et al.*, 2016a; Kaawaase and Nalukwago, 2017; Lujja *et al.*, 2018; Bananuka *et al.*,2019). In this follow-up study to

Kaawaase and Nalukwago (2017), it has been found that attitude, subjective norm and religiosity contribute to 44 per cent of the variance in intention to adopt Islamic banking.

One would have expected Islamic banks to be operational by now (2018) in Uganda, and yet this is not the case. Ugandans are thus expected to exert pressure on the existing banks directly and through their religious, political and opinion leaders to provide Islamic banking services. Further, awareness levels regarding Islamic banking products and operationalization are still low among Ugandans, as noted by Lujja *et al.* (2018). That may explain the relative lack of pressure by potential clients on existing banks to make such products available. It is important that the government promote the usage of Islamic banking products and this will be possible through leaders at various levels as this will change the attitude of Ugandans toward Islamic banking.

Summary and conclusion

The objective of this study was to establish the contribution of attitude, subjective norm and religiosity on intention to adopt Islamic banking in Uganda. The above objective was achieved through a questionnaire survey of 258 owner-managed micro businesses with a response rate of 68 per cent. Results indicate that attitude and religiosity are significant predictors of intention to adopt Islamic banking in Uganda, unlike subjective norm, which is a significant predictor of intention to adopt Islamic banking where attitude is not. Results further indicate that affective and cognitive attitude are significant predictors of intention to adopt Islamic banking in Uganda.

Overall, the findings of this study have important implications for academics as well as practitioners and regulators. For academics, the results suggest that attitude, subjective norm and religiosity are critical to the intention to adopt Islamic banking among Ugandans. It should also be noted that cognitive attitude and affective attitude independently are critical predictors of intention to adopt Islamic banking in Uganda. For practitioners and regulators, the findings are important for the proprietors of Islamic banks, who must ensure that mass sensitization is carried out in order to create awareness among Ugandans in respect to Islamic banking. Mass sensitization is crucial since it will influence the attitude of the public toward Islamic banking and enable acquisition of product knowledge by friends and family members whose opinions have been found key in the adoption process. The government may encourage foreign investors to invest in Islamic banking in Uganda. Also, the findings show that religiosity influences the intention to adopt Islamic banking, thus calling for the need to involve religious leaders who are key in influencing the beliefs of followers. This is especially critical for non-Muslim religious leaders as their opinion about Islamic banking trickles down to the followers.

Like any other study, the current study also has a number of limitations. First, the study used evidence from owner-managed micro businesses in Uganda, and it is possible that this study's results are only applicable to Uganda's micro businesses. Second, this study was cross-sectional, which means that changes in behavior over time are not addressed. Finally, this study used a quantitative research approach, which sometimes misses certain information and limits the respondent's opinions on the study variables. However, this study's results are useful since it clearly brings out the overall contribution of attitude, subjective norm and religiosity toward the intention to adopt Islamic banking in Uganda at the time when all the necessary laws for enabling Islamic banking are in place.

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