



Customers' Perceptions on Islamic Banking: A Case Study in the Gambia

Muhammed Sonko

Microfinance Department, Central Bank of the Gambia

Abstract

This study examines the customers' perceptions on Islamic banking in Gambia using both descriptive statistics and logistic regression methods. A sample of 150 customers from four major conventional banks and the only Islamic bank which is Arab Gambia Islamic Bank (AGIB), took part in this study. Customers' religious commitments, knowledge of Islam, awareness of Islamic banking products, are among other variables that were assessed. This study adopts descriptive statistics to compare and point out the differences between the responses of customers from the conventional banks and AGIB. The results indicated that the customers of AGIB are more religiously committed compared to the customers of the conventional banks. The findings also showed that the customers of AGIB have more knowledge of Islam and Islamic banking compared to their counterparts from the conventional banks. However, customers' awareness and usage of Islamic banking products are very poor among all the respondents. Almost all the customers agree that interest is prohibited in Islam, but they regard AGIB not to be *Shariah* compliant. The findings show that religious commitment, knowledgeable about Islam and Islamic banking are the most important determinants of banking with the AGIB.

Keywords: Gambia, Islamic banking, conventional banking, AGIB, customers' perceptions, *Shariah* compliant, religious commitment, Islamic banking products

© IIUM Press

1. Introduction

The aftermath of the global financial crises has positioned Islamic banking as a reliable alternative due to their resilience during the crises. Islamic banking, which is a combination of both faith and finance, is a system that operates in compliance with Islamic principles. Its financial contracts and business transactions are governed by the rules of *Shariah* (Islamic Law), which primarily derives its sources from the Quran and the Sunnah of the prophet (PBUH). Unlike conventional banks, Islamic banks do not engage in interest based transactions because the Quran condemns interest in the strongest terms and warns those dealing in interest to take notice of war against Allah and His messenger (Quran 2:279). The prohibition of interest illustrates it as unjust; corrupts society; improper appropriation of other people's property; demeans and diminishes human personality; and its ultimate effect is negative growth (Siddiqi, 2004). As such, Islamic banking contracts are structured around real assets with partnership contracts involving profit and loss sharing mechanism. Moreover, it is prohibited for Islamic banks to participate in matters involving *gharar* which literally means uncertainty, risk, or fraud in transactions. Ayub (2007, p. 75) defines *gharar* as "entering into a contract in absolute risk or uncertainty about the ultimate result of the contract and the nature and/or quality and specifications of the subject matter or the rights and obligations of the parties". The wisdom behind prohibition of *gharar* is to avoid conflict, deception, unlawful usurpation of property between contracting parties. Likewise, Islamic banks cannot invest in illicit goods and services such as gambling, alcohol, pork, prostitution and the likes of which are prohibited in Islam. *Shariah* requires that

Date of Submission : 20/12/2019
Date of Revision(s) : 22/03/2020
 25/03/2020
 27/03/2020
Date of Acceptance : 28/03/2020
Date of Publication: : 01/06/2020

Islamic banks uphold ethical business standards such as truthfulness, transparency, and justice in all transactions.

The foundations and rules governing Islamic banks were laid during the era of the prophet (PBUH). However, the first successful modern practical implementation of Islamic banking was in 1963 in Mit Ghamr, Egypt (Oseni and Hassan, 2010). Mit Ghamr Local Savings Bank was an interest free bank and accepted deposits, investments and saving accounts. In the 1970s, the Dubai Islamic Bank and the Islamic Development Bank (IDB) were established in Dubai and Saudi Arabia respectively. In 1977, the first Islamic bank in Sudan called Faisal bank was established. Malaysia followed suit by establishing the first Islamic financial institution called Bank Islam Malaysia Berhad (BIMB) in 1983 (Oseni & Hassan, 2010). Since then, the sector has been rapidly growing and there are more than 300 Islamic banks across 75 countries (IŞIK, 2018). Presently, Islamic banking assets have been registering massive growth rates and the industry has moved from being a niche market to a global market. The Islamic finance industry (banking, capital market, and takaful) has surpassed USD 2 trillion and Islamic banking assets accounts for 76% of the total industry assets (Islamic Financial Services Board, 2018). Despite its significant growth, Islamic banking is yet to dominate the banking sector in most countries with majority Muslim population. Therefore, it is important to understand how Islamic banking is perceived in these countries. This paper attempts to gauge the perceptions of customers towards Islamic banking in the Gambia, a country with a Muslim population of 95.7%. Understanding the perceptions of customers is crucial in designing policies to promote the growth and development of Islamic banking.

1.1 Islamic Banking in Gambia

The Republic of Gambia is located in West Africa and surrounded by the Republic of Senegal in three sides except to the west by the Atlantic Ocean. Gambia is one of the smallest countries in the African continent with an estimated population of 1,882,450 (Gambia Bureau of Statistics, 2013). The country is predominant by Muslim with 95.7% of the population are Muslims (International Religious Freedom Report, 2017). In 1971, the Central Bank of the Gambia was established with the mandate to regulate the financial system of the country. In 1996, the Central Bank granted a license to the country's first Islamic bank to operate in the name of Arab Gambia Islamic Bank (AGIB). The Financial Institution Act of 1992 was amended to allow the first Islamic bank to operate in a completely conventional banking society (Adeyemi and Zare, 2015). In 2008, FinBank of Nigeria bought 70% of AGIB bank's share (Adeyemi and Zare, 2015). However, FinBank's shares were bought back by a Gambian businessman and the Islamic Development Bank (IDB) also holds significant shares in the bank. Currently, AGIB remains the only Islamic bank in the Gambia and it is operating together with the other 11 conventional banks (Central Bank of the Gambia, 2019). The bank has different branches strategically located in a densely populated parts of the country. Looking at the Muslim population of the Gambia, one might expect or conclude that AGIB to have the largest market share. However, AGIB is not among the four major banks of the Gambia (The Gambia Competition and Consumer Protection Commission, 2017). In 2014, 70% of the banking sector's deposit is concentrated among the four major banks: Trust Bank, Standard Chartered Bank, Guaranty Trust Bank, and Eco Bank (The Gambia Competition and Consumer Protection Commission, 2017). This paper will analyze customers' perceptions towards key variables such as religious commitment, *Shariah* compliance of AGIB and customers' knowledge and awareness of Islamic banking products. A logistic regression model will be developed to predict how these variables determine whether a customer banks with AGIB or the conventional banks.

2. Literature Review

2.1 Religious Influence

Khokhar and Sillah (2014) studied customers' perceptions of Islamic banks in Saudi Arabia. The findings of this research showed that most of the respondents agreed that interest is prohibited and considered Islamic banks to be different from conventional banks. 69% of the respondents described themselves as moderate Muslims. Regarding the influence of religion on the selection of Islamic bank, the study concluded that religion is a major influence on the selection of Islamic banks.

Likewise, in Libya, Gait and Worthington (2009) surveyed 385 Libyan retail consumers to gather their attitudes, perceptions, and motivation towards Islamic methods of finance. The study found out that religious principles and interest-free financing were the main motivations for retail consumers to choose Islamic methods of finance. Apart from religious principles, community services and profitability of Islamic banks were also major motivators for the use of Islamic methods of finance.

Similarly, Adeyemi and Zare (2015) conducted a study in Côte d'Ivoire to find out customers' perceptions on the viability of Islamic banking. Out of the 274 respondents who participated in this study, 77% of the respondents agreed that Islam prohibits paying or receiving interest and 65% of the respondent were willing to transfer their accounts from the conventional banks to Islamic banks if availed the opportunity. This study concluded that religious motivation is fundamental for likely patronage of customers towards Islamic banking in Côte d'Ivoire. Loo (2010) studied further the attitudes and perception of both Muslims and non-Muslims towards Islamic banking in Malaysia. The respondents were asked to rank religion, products and services, availability of outlets and reliability factors that will attract them to Islamic banking. The results of this study showed that out of the 100 Muslim respondents, 85% of them ranked religion as the most important factor attracting them to Islamic banking. The results of this study demonstrates the importance of religious commitment as a determinant to bank with Islamic bank.

Idris et al. (2011) also surveyed Islamic bank customers in seven Malaysian public institutions of higher learning. The purpose of this research was to study religious value as the main influencing factor to customers patronizing Islamic banks. The total number of participants deemed sufficient for this study were 129 academicians. In this study, religious value was ranked as the most important factor in customers selection of Islamic bank. Besides religious value, other influential factors according to rank were automated teller machine (ATM) service, financial security, costs and benefits, and attractiveness of the bank. Idris et al. concluded that although religious value is the most influential, they pointed out that Islamic banks should not assume that their customers deal with them based on religious consciousness only, rather they should promote quality services to satisfy customers.

In contrast, in a study conducted in Pakistan, Awan and Azhar (2014) selected a sample of 200 respondents to examine how variables such as, religion, mass media, bank image, service quality, and service charges, among other variables contribute in the selection of Islamic bank. Interestingly, the results of this research ranked mass media as the most important and religion as the least important variable influencing customers to bank with Islamic banks. The authors of this research highlighted that mass media is ranked first because it helps people to easily have an access of information regarding Islamic banking. The outcome of this research is contrary to a study conducted in Malaysia by Loo (2010) where respondents ranked religion as the most important variable influencing them to use islamic methods of finance.

Selvanathan et al. (2018) conducted an exploratory study on customers' selection in choosing Islamic banks in Malaysia. The variables used under the study were bank selection criteria, bank reputation, convenience, religious value as well as cost and benefits associated with Islamic banking. Their findings revealed that there is a positive relationship between religious values and selection of Islamic banking. However, bank reputation was the major determinant of selection of Islamic banking and then followed by religious value. Akhtar et al. (2016) studied the factors influencing perceptions of 150 respondents towards Islamic banking in Pakistan. Regression analysis was used to determine the relationship between variables such as religion, advertising, awareness of financial teachings of Islam, networking and reputation, towards influencing perception of customers. The results indicated that religion has a strong impact on the perceptions of customers. However, in this study, the regression coefficient showed that awareness regarding the financial products and services, awareness regarding financial teachings of Islam, and advertising have a stronger impact than religion in influencing the perceptions of customers.

2.2 *Shariah* Compliance of Islamic Banks

The primary difference between Islamic and conventional banks is that the former operate within the boundaries of *Shariah* law while the latter are governed by secular laws. This distinction has made *Shariah* compliance of Islamic banks a critical requirement. Sohail et al. (2014) pointed out that despite the legitimacy provided by *Shariah* scholars to Islamic banks, most people in Pakistan still have doubts regarding the *Shariah* compliance of Islamic banking products and services. In their study on consumers' perceptions towards Islamic banking in Pakistan, they found out that 68.7% out of 115 respondents believed there are no differences between Islamic and conventional banking products and services. In contrast, Soud and Sayilir (2017) investigated the perceptions on Islamic banks among Muslims and non-Muslims customers in Tanzania. A total of 660 respondents participated in this study, whereby 330 were Muslims and another 330 were non-Muslims. The outcome of this study showed that 77% of the Muslim respondents believe that Islamic banking is fully compliant to the principles of *Shariah* while 35.7% of non-Muslims believe that Islamic banking is *Shariah* compliant. The study concluded that Islamic banking compliance with Islamic principles and interest free loans are the most important factors for Muslims to prefer Islamic banking.

In the United Kingdom (UK), Akbar et al. (2012) studied user perceptions of Islamic banking among sample of 35 respondents. This size of the participants is much smaller compared to the other perception studies cited above. A likert type response was used to pose to respondents whether Islamic banking in the UK is *Shariah* compliant. The results highlighted that 37.1% strongly agree, 34.2% agree, while 5.71% disagree that Islamic banking in the UK is *Shariah* compliant. The study noted that respondents regard Islamic banking as interest free and reached a consensus that Islamic banks should operate under *Shariah* law. However, they highlighted that in practice most of the Islamic banks are not *Shariah* compliant and operate in interest based system under different names.

In Pakistan, Hassan (2007) studied account holders of both Islamic and conventional banks on their perceptions towards Islamic banking. A total number of 600 respondents participated in this study. Both Islamic and conventional banking customers comprised of 300 participants each. Customers' knowledge and purpose of choosing Islamic or conventional banks were assessed. The respondents were asked whether Islamic banking in Pakistan is *Shariah* compliant or not. Out of the 300 customers for both Islamic and conventional banks, 85.3% of the Islamic banking customers agree that Islamic banking is *Shariah* compliant and 78% of conventional banking customers also agree that Islamic banking is *Shariah* compliant. Hassan concluded that the results revealed a "big question mark on the commitment of Islamic banks towards *Shariah* compliance."

Fahlevi et al. (2017) conducted a study to compare the financial and *Shariah* compliance of Islamic banks in Malaysia and Indonesia. In this study, a total of 7 Indonesian Islamic banks and 11 Malaysian Islamic banks were selected. Their findings revealed that Malaysian and Indonesian Islamic banks have similar financial performance and condition. The study also highlighted that both Malaysian and Indonesian Islamic banks have high level of *Shariah* conformity. However, the study concluded that Indonesian Islamic banks are more *Shariah* compliant than Malaysian Islamic banks.

2.3 Awareness of Islamic Banking Products

In Libya, Gait and Worthington (2009) surveyed 385 Libyan retail consumers and found out that most of the respondents of their study are aware of *Qard Hassan* and *Musharakah* financing. However, the study also indicated that most of the respondents are uninformed about other Islamic methods of finance such as, *Mudarabah*, *Murabahah*, *Bai Muajjal*, and *Istisna*. In this study, it is noted that there is a lack of awareness among participants on most Islamic banking products. Gait and Worthington concluded that there is a positive relationship between awareness and potential use of Islamic methods of finance.

The conclusion of Gait and Worthington (2009) are also echoed by the findings of Sohail et al. (2014). Sohail et al. conducted a study in Pakistan on the perceptions of individual consumers towards Islamic banking products and services. The study highlighted that Islamic banks are not reaching their potential customers because customers are not sufficiently educated on Islamic banking products and services. It is further noted as a result of lack of awareness, most people cannot distinguish the differences between the Islamic banking system and the conventional banking system.

Masood et al. (2014) also studied the customers' awareness and perceptions of Islamic banking products in Pakistan. The participants' knowledge was assessed regarding the following Islamic banking products: *Musharakah*, *Mudarabah*, *Bai Muajjal*, *Istisna*, *Sukuk*, *Ijarah*, *Diminishing Musharakah*, and *Qard Hassan*. Surprisingly, all the participants of this study were not aware of these Islamic modes of financing. The results of this study reflected the fact that Islamic banking products are not familiar among customers. The participants highlighted that the bankers fail to satisfy the customers when it comes to proper explanation of Islamic modes of financing. The findings of this study are consistent with the findings of Sohail et al. in Pakistan.

Furthermore, Jabaly et al. (2013) conducted a survey in Abu Dhabi to determine the effectiveness of marketing and communication tactics utilized by Islamic banks to inform customers on the essence of Islamic banking. In this study, 39% of the respondents believe that the presence of Islamic banks in the local media is poor or average. In addition, the majority of the respondents, 90%, believe that Islamic banks in the United Arab Emirates (UAE) have not put in the required efforts in explaining the concepts and realities of Islamic banking to their customers. Jabaly et al. (2013) concluded that there is a lack of communications and marketing professionals who understand Islamic banking.

In Côte d'Ivoire, Adeyemi and Zare (2015) examine the awareness of 274 respondents regarding Islamic banking products. The results of this study showed that around 70 to 77% are ignorant about Islamic

finance terminologies such as *Wadiah*, *Murabahah*, *Mudarabah*, *Tawarruq*, and *Ijarah*. Furthermore, 64.4% to 67.8% of the respondents have never heard about terms such as *Istisna*, *Salam*, and *Musharakah*. The study concluded while most Ivorians are well aware of the prohibition of interest, there is a lack of awareness of Islamic banking products' terminologies. This study and the above studies underlined an awareness deficit in Islamic banking products.

In contrast, Khokhar and Sillah (2014) study on consumers' perceptions of Islamic banking in Saudi Arabia revealed that the respondents are widely aware of Islamic banking products such as *Mudarabah*, *Murabahah*, *Wakala*, *Tawarruq*, and *Ijarah*. However, the results showed that consumers have limited or no awareness regarding products such as *Musharakah*, *Salam*, *Istisna*, and *Istijrar*. The findings still showed that there are some lack of awareness in Islamic banking products. Nonetheless, the findings of this research on customer awareness are more encouraging than the findings of Adeyemi and Zare (2015).

Bashir (2013) examined customers' satisfaction with the Islamic banking sector in Brunei. Out of 116 respondents, 56% of the respondents acknowledged that they are aware of Islamic banking products. The study concluded that awareness is positively related to customer satisfaction. Similarly, Yahya and Junaina (2017) study the factors that influence customers' adoption of Islamic banking products among Muslims and non-Muslims in Sarawak, Malaysia. The findings revealed that adoption of Islamic banking is negatively related to the complexity of Islamic banking products. It also highlighted that customers are less likely to subscribe to Islamic banking if they realize that products and services are difficult and complicated to understand.

The findings of Rammal and Zurbruegg (2007) revealed that out of 300 Australians surveyed, 55.7% of the respondents are aware of Islamic banking products. However, the study found out that lack of awareness regarding Islamic banking products has no influence on customers' willingness to bank with Islamic banks in Australia. The results of this study is in contrast with the findings of Yahya and Junaina (2017).

3. Methodology

This study targeted the account holders of five banks in the Gambia. These banks comprise of the customers of four conventional banks and the only Islamic bank, AGIB. The criteria for choosing the four conventional banks was based on the Gambia Competition and Consumer Protection Commission (2017) report. This report highlighted that 70% of the banking sector's deposit is concentrated among these four major banks: Trust Bank, Standard Chartered Bank, Guaranty Trust Bank, and Eco Bank. As a result, these four banks were selected among the eleven conventional banks as they have the largest market share in the Gambian banking sector. It was not possible to obtain customer information from the banks for random sampling. This is because of the sensitive nature of banks sharing customer information. In the absence of a sampling frame, a purposive sampling method was used for this study. Customers who met the criteria for having an account in the targeted banks and were willing to participate in the study were selected. A self-administered Google form questionnaires were sent to them through their emails or WhatsApp account to fill the forms. A total number of 150 respondents participated in this study; 75 customers each from the conventional banks and the AGIB. This study used both descriptive statistics and logistic regression method to analyze the data collected from the respondents. Respondents demographic characteristics; religious commitment; knowledge of Islam; knowledge of Islamic banking products were analyzed. Logistic regression was used to determine the factors influencing customers to bank with the conventional banks or the AGIB.

4. Findings

4.1 Demographic Details

Table 1 shows the demographic composition of the respondents. In this study, there were more male respondents than female. The male and female respondents constitute 57.3% and 42.7% respectively. 56% of the respondents are within the ages of 18 to 30 years, while respondents above the age of 60 represent the lowest (2%). The table also shows that majority of the respondents, which represents 53.3%, are single and 45.3% of the respondents are married. In the income group, most income falls between 5000 and 10,000 Dalasis which is 37.3%. The lowest income group among the respondents is between 20001 and 25,000 Dalasis which represents 3.3% of the total income group. Majority of the respondents of this study are bachelor's degree holder which represents 43.3% and then diploma which represents 20%. PhD is the least educational attainment in this study representing 1.3%.

Table 1: Demographic and Socio-economic Characteristics of Customers

<i>Demographic Details</i>	<i>n</i>	<i>Percentage</i>
<i>Gender</i>		
Male	86	57.3
Female	64	42.7
<i>Age</i>		
18-30	84	56.0
31-40	45	30.0
41-50	12	8.0
51-60	6	4.0
60 above	3	2.0
<i>Marital Status</i>		
Single	80	53.3
Married	68	45.3
Widowed	1	0.7
Divorced	1	0.7
<i>Income</i>		
Below 5000	31	20.7
5000 – 10000	56	37.3
10001 – 15000	30	20.0
15001 – 20000	15	10.0
20001 – 25000	5	3.3
Above 25000	13	8.7
<i>Educational Attainment</i>		
None	1	0.7
Secondary School	18	12.0
Professional Certificate	18	12.0
Diploma	30	20.0
Bachelor Degree	65	43.3
Master's Degree	16	10.7
PhD Holder	2	1.3

4.2 Religious Commitment, Knowledge, and *Shariah* compliance

This section evaluates customers' religious commitments, knowledge, and their perceptions regarding *Shariah* compliance of Islamic bank (AGIB). Furthermore, comparison is made between the responses of Islamic and conventional banks.

Table 2: Customers' Knowledge of Islam

	Poor	Fair	Moderate	Good	Excellent
Islamic Bank (AGIB)	1.3%	5.3%	12.0%	65.3%	16.0%
Conventional Banks	4.0%	28.0%	29.3%	32.0%	6.7%

Table 2 above shows the distribution of customers' knowledge of Islam. Customers were asked to rank their knowledge of Islam from poor to excellent. This question is intended to determine the relationship between customers' knowledge of Islam and their bank choice. Conventional bank customers rank their knowledge of Islam higher than the AGIB in terms of "poor", "fair", and "moderate knowledge." However, comparing "good" and "excellent knowledge", customers of the AGIB have more knowledge of Islam than conventional bank customers. Overall, Table 2 shows that the AGIB customers have more knowledge of Islam than conventional banking customers.

Table 3: Customers' Religious Commitments

	Not Committed	Moderately Committed	Highly Committed
Islamic Bank (AGIB)	1.3%	18.7%	80.0%
Conventional Banks	6.7%	57.3%	36.0%

The customers were asked to rank their religious commitments (praying five times a day, praying on time, giving out zakat and helping the poor) based on highly committed, moderately committed, and not committed. Only 6.7% of conventional bank customers and 1.3% of AGIB bank customers are not religiously committed. The results are very revealing as 57.3% of conventional banking customers are moderately committed compared to 18.7% of the AGIB customers. However, 80% of the AGIB customers are highly committed while only 36% of conventional bank customers are highly committed (Table 3 above). The outcomes highlights that the AGIB customers are more religiously committed than conventional bank customers. These results highlight the strong connection between religious commitments and banking with the Islamic bank (AGIB).

Table 4: Customers' Knowledge of Islamic banking

	Poor	Moderate	Excellent
Islamic Bank (AGIB)	64.0%	33.3%	2.7%
Conventional Banks	89.3%	10.7%	0%

In Table 4 almost 90% of the conventional banking customers and 64% of the AGIB customers have poor knowledge of Islamic banking. Only 2.7% of the AGIB customers have excellent knowledge of Islamic banking while none for the conventional banks. Furthermore, the AGIB customers have more moderate knowledge with 33.3% to 10.7%. The results reveal that knowledge of Islamic banking is very poor among the people and more marketing and education is needed.

Table 5: Prohibition of Interest in Islam

	Yes	No	Don't know
Islamic Bank (AGIB)	98.7%	0%	1.3%
Conventional Banks	94.7%	1.3%	4.0%

Table 5 reveals that almost all the respondents know that interest is prohibited in Islam. It is only 1.3% of the AGIB respondents and 4.0% of the conventional bank respondents responded to not knowing whether interest is prohibited or not. Furthermore, only 1.3% of conventional bank respondents claim that interest is not prohibited in Islam. This shows that the prohibition of interest in Islam is widely known to most people.

Table 6: *Shariah* Compliant of AGIB

	Yes	No	Don't know
Islamic Bank (AGIB)	52.0%	48.0%	0%
Conventional Banks	37.3%	62.7%	0%

Since *Shariah* compliance is the main factor that distinguishes Islamic banks from conventional banks, this question is very critical. Surprisingly, 62.7% of conventional banking respondents consider the AGIB as not *Shariah* compliant. Perhaps this explains why most customers are not banking with AGIB even when they acknowledge interest is prohibited in Islam. Even more surprising is that 48% of AGIB bank customers also consider the bank not to be *Shariah* compliant. This number is quite significant and revealing. By contrast, 52% of AGIB bank customers agree that they are *Shariah* compliant, while 37.3% of conventional

banking customers also believe the same (Table 6 above). In summary, most respondents of this study believe that AGIB bank is not *Shariah* compliant. This finding on customers' perceptions regarding *Shariah* compliance of Islamic banking is consistent with the findings of Sohail et al (2014).

4.3 Awareness of Islamic Banking Products

Table 7: Awareness of Islamic Banking Products

	Aware	Aware and used	Not aware
<i>Murabahah</i>	16.7%	5.3%	78%
<i>Musharakah</i>	14%	4%	82%
<i>Mudarabah</i>	12%	4%	84%
<i>Ijarah</i>	4.7%	0%	95.3%
<i>Salam</i>	2.7%	0%	97.3%
<i>Istisna</i>	2.0%	0%	98.0%

Table 7 above shows the response regarding awareness of the Islamic banking products offered by the AGIB bank. Respondents were asked to respond whether they are: aware, aware and used and not aware of a particular Islamic banking product. The results reveal a massive lack of awareness among respondents. Almost all the conventional banking customers are not aware of these products. Similarly, most AGIB bank respondents are also not aware of Islamic banking products. Only few AGIB bank customers reported to be aware and used Islamic banking products such as *Murabahah*, *Mudarabah*, and *Musharakah*. These findings are consistent with the findings of Gait and Worthington (2009), Masood et al. (2014), and Adeyemi and Zare (2015). All these studies highlight the lack of awareness regarding Islamic banking products.

Table 8: Respondents' Perceptions on Islamic Banking

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Islamic banking has the potential to grow in the Gambia	52.7%	35.3%	8.0%	3.3%	0.7%
Islamic banking can be an alternative to conventional banking.	50.0%	36.0%	8.0%	5.3%	0.7%
Islamic Banking is based on the teachings of Islam.	43.3%	34.7%	15.3%	6%	0.7%
Islamic banking was introduced because conventional banking is not in line with Islam.	51.2%	38.7%	8.7%	0.7%	0.7%
I would recommend Islamic banking to other people.	45.0%	40.0%	15.0%	0%	0%

In Table 8 above, Likert scale questions were asked to gauge the respondents' perceptions on Islamic Banking. The results illustrate that Islamic banking has a potential to grow in the Gambia and people are convinced that it can be an alternative (50% strongly agree; 36% agree) to conventional banking. Furthermore, most people (45% strongly agree; 40% agree) are willing to recommend Islamic banking to other people. These results are very positive for the growth of Islamic banking in the Gambia.

4.4 Logistic Regression Results

The logistic regression model uses the independent variables to predict how likely customers are to bank with either AGIB bank or conventional banks. In this model, bank is the dependent variable and is coded (1 if yes; 0 if no). "Yes" means banking with AGIB and "no" means banking with conventional banks. The independent or explanatory variables are: Age; Qualification; Earnings; Knowledge of Islam; Religious commitment, and knowledge of Islamic banking.

Table 9: Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
Model	55.228	6	.000

Table 9 shows the Chi-square and $P < 0.001$. The -2 Log likelihood measures how well the model explains variations in the dependent variable. Table 10 below shows that between 31% and 41% of the variance in the dependent variable is explained by the independent variables in the model.

Table 10: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	152.716 ^a	.308	.411

Table 11: Logistic Regression Results

Variables	B	S.E.	Wald	df	Sig.	Exp(B)
Age	.034	.027	1.589	1	.207	1.034
Qualification	-.474*	.204	5.386	1	.020	.623
Income	.076	.189	.162	1	.687	1.079
Knowledge of Islam	.606*	.245	6.117	1	.013	1.833
Religious Commitment	1.302**	.410	10.064	1	.002	3.675
Knowledge of Islamic Banking	1.272**	.479	7.058	1	.008	3.567
Constant	-6.043**	1.414	18.268	1	.000	.002

*Significant at 5 percent;**at 1 percent level

The logistic regression results show that qualification, knowledge of Islam, religious commitment, and knowledge of Islamic banking are statistically significant at 5% level. This means that these variables are essential in determining whether a person banks with AGIB bank or not. Qualification has a negative coefficient, denoting a negative relationship between educational qualification and banking with Islamic bank. However, knowledge of Islam, knowledge of Islamic banking, and religious commitment have positive coefficients and a stronger impact than qualification in determining whether customers bank with AGIB bank or not. The result highlights that those with strong religious commitment and knowledge of both Islamic banking and Islam are more likely to bank with AGIB bank.

5. Conclusion

This study examined customers' perceptions of Islamic banking in the Gambia. A total of 150 respondents from both AGIB bank and four conventional banks participated in this study. The sample is dominated by respondents within the age of 18 – 30 and bachelor's degree holders. Married respondents constitute 45.3 per cent while the single respondents are 53.3 per cent. The findings reveal that customers of AGIB bank have more knowledge than conventional bank customers in terms of Islam and Islamic banking. Furthermore, AGIB bank customers are more religiously committed compared to their counterparts from the conventional banks. In this study, almost all the respondents are of the knowledge that interest is prohibited in Islam. Despite knowing that interest is prohibited in Islam, it is highly significant to highlight that the majority of the respondents are of the view that Islamic banking (AGIB bank) in the Gambia is not *Shariah* compliant. This study also showed an awareness deficit in Islamic banking products as more than 80% of the respondents are not aware of Islamic banking products. However, most respondents agree that Islamic banking has the potential to grow in the Gambia and they are willing to recommend it to other people. Using logistic regression, the findings of this study reveal that religious commitment, knowledge of Islamic banking, and knowledge of Islam are the most important determinants of banking with Islamic bank (AGIB bank). People who are religiously committed and knowledgeable about Islam and Islamic banking are more likely to bank with AGIB bank.

6. Recommendations

The most striking finding of this study is that most of the respondents believe that AGIB bank is not *Shariah* compliant. The Central Bank of the Gambia and AGIB bank need to work together to solve this lack of confidence regarding *Shariah* compliance. The Central Bank of the Gambia should introduce *Shariah* ratings and publishing regular reports on *Shariah* compliance of the Islamic financial sector. This will ensure transparency and instill confidence in the system. Stakeholders should work with educational institutions such as the university and other learning institutions to introduce Islamic banking into the schools' curriculums. In addition, product terms that are in Arabic should be translated into English or the predominant language understood by the customers to enhance their understanding. AGIB should introduce a communication unit which will be responsible for popularizing the Islamic banking products. The unit will serve to sensitize people about Islamic banking. Furthermore, religious scholars should also use religious platform and sermons to encourage people to adopt Islamic banking and avoid interest-based banking. This will raise awareness among the people and expedite the growth of the sector. Finally, for Islamic banking to achieve its potential in the Gambia, investment in human capital should be the primary goal.

References

- Adeyemi, A. A., & Zare, I. (2015). An Empirical Investigation of Banking Customers' Perception of the Viability of Islamic Banking in Côte d'Ivoire. *Intellectual Discourse*, 23(Special Issue), 425-451.
- Akbar, S., Shah, S. Z., & Kalmadi, S. (2012). An Investigation of User Perceptions of Islamic Banking Practices in the United Kingdom. *International Journal of Islamic and Middle Eastern Finance and Management*, 5(4), 353-370.
- Akhtar, N., Mehmood, M. T., Pervez, M. Z., Aslam, F., & Akhtar, H. M. (2016). Factors Influencing the Perception of Customers in Islamic Banking: A Case Study in Pakistan. *International Review of Management and Business Research*, 5(3), 844-859.
- Awan, A. G., & Azhar, M. (2014). Consumer Behavior Towards Islamic Banking in Pakistan. *European Journal of Accounting Auditing and Finance Research*, 2(9), 42-65.
- Ayub, M. (2007). *Understanding Islamic Finance*. West Sussex: John Wiley & Sons, Ltd.
- Bashir, M. S. (2013). Analysis of Customer Satisfaction with the Islamic Banking Sector: Case of Brunei Darussalam. *Asian Journal of Business and Management Sciences*, 2(1), 38-50.
- Central Bank of the Gambia. (2019, December 19). Central Bank of the Gambia. Retrieved from Central Bank of the Gambia site: <https://www.cbg.gm/banking-supervision>
- Fahlevi, H., Irsyadillah, & Randa, P. (2017). Financial Performance and Sharia Compliance: A Comparative Analysis of Indonesian and Malaysian Islamic Banks. *DLSU Business and Economics Review*, 26(2), 41-52.
- Gait, A. H., & Worthington, A. C. (2009). Attitudes, Perceptions and Motivations of Libyan Retail Consumers toward Islamic Methods of Finance. Paper presented to the Asian Finance Association 2009 International Conference, Brisbane, 30 June–3 July, 2009.
- Gambia Bureau of Statistics. (2018). *The Gambia Labour Force Survey 2018*.
- Hassan, M. (2007). People's Perceptions towards the Islamic Banking: A Fieldwork Study on Bank Account Holders' Behaviour in Pakistan. *School of Economics, Nagoya City University Japan*, 43(3), 153-176.
- Idris, A. R., Naziman, K. N., Januri, S. S., Asari, F. F., Muhammad, N., Sabri, S. M., & Jusoff, K. (2011). Religious Value as the Main Influencing Factor to Customers Patronizing Islamic Bank. *World Applied Sciences Journal*, 12, 8-13.
- International Religious Freedom Report. (2017). *Gambia 2017 International Religious Freedom Report*. United States Department of State: Bureau of Democracy, Human Rights, and Labor.
- IŞIK, N. (2018). Growth, Islamic Banking and Schumpeterian Vision: An Empirical Evidence from the Gulf Arab States. *International Journal of Islamic Economics and Finance Studies*, 4(1), 40-55.
- Islamic Financial Services Board. (2018). *Islamic Financial Services Industry Stability Report*. Kuala Lumpur: Islamic Financial Services Board.

- Jabaly, R., Ameri, S. A., & Ghoul, W. A. (2013). Islamic Banks Marketing and Communication Tactics: Towards a Better Reception and Perception. *Journal of Islamic Economics, Banking and Finance*, 9(3), 150-176.
- Khokhar, I., & Sillah, B. M. (2014). Consumer Perceptions of Islamic Banks: The Case of Saudi Arabia. *Journal of Islamic Banking and Finance*, 31(4), 70-81.
- Loo, M. (2010). Attitudes and Perceptions towards Islamic Banking among Muslims and Non-Muslims in Malaysia: Implications for Marketing to Baby Boomers and X-Generation. *International Journal of Arts and Sciences*, 3(13), 453-485.
- Masood, S., Rehman, S., & Rehman, C. A. (2014). Cognizing Customer Awareness and Perception of Islamic Banking Products in Pakistan. *International Journal of Operations and Logistics Management*, 3(4), 322-336.
- Oseni, U. A., & Hassan, M. K. (2010). The Emergence and Development of Islamic Banking. *Qfinance*, 113.
- Rammal, H. G., & Zurbruegg, R. (2007). Awareness of Islamic Banking Products among Muslims: The Case of Australia. *Journal of Financial Services Marketing*, 12, 65-74.
- Selvanathan, M., Nadarajan, D., Zamri, A. F., Suppramaniam, S., & Muhammad, A. M. (2018). An Exploratory Study on Customers' Selection in Choosing Islamic Banking. *International Business Research*, 11(5), 42-49.
- Siddiqi, M. N. (2004). *Riba, Bank Interest and The Rationale of its Prohibition*. Jeddah: Islamic Research and Training Institute.
- Sohail, A., M.Hamza, Ijaz, F., & M.Azeem. (2014). Perception of Individual Consumers toward Islamic Banking Products and Services in Pakistan. *Journal of Poverty, Investment and Development*, 5, 179-185.
- Soud, N. S., & Sayilir, O. (2017). Perceptions of Islamic Banking Among Muslims and Non-Muslims Citizens in Tanzania. *International Journal of Islamic Economics and Finance Studies*, 3(3), 15-29.
- The Gambia Competition and Consumer Protection Commission. (2017). *Report on The Banking Sector Study*.