

An empirical investigation of banking customers' perception of the viability of Islamic banking in Côte d'Ivoire

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Abstract: This study empirically examines the perceptions of bank customers in Côte d'Ivoire on the viability of Islamic banking in the country. Specifically, the study investigates the level of awareness of the bank customer respondents about Islamic banking as well as the factors that motivate their patronage. A sample of 274 respondents residing in Abidjan, Côte d'Ivoire took part in this research. The data elicited via an adapted research instrument is subjected to both descriptive and inferential statistics using IBM SPSS AMoS software version 21. The results reveal that most of the Ivorian bank customers are aware of Islamic banking but lack knowledge about its operation. Moreover, the customers indicate commendable willingness to patronize the Islamic banks when established in Côte d'Ivoire as long as it is not relatively costlier to do so. The likely patronage-influencing factors include religion, banking-related and customer-related factors, and societal norms. Recommendations based on research findings are also offered.

Keywords: Côte d'Ivoire; customer perception; Islamic banking; measurement model; religion.

Abstrak: Kajian ini secara empirikalnya mengkaji tanggapan pelanggan bank di Côte D' Ivoire terhadap daya maju perbankan Islam di negara tersebut. Secara khususnya, kajian ini menyiasat terhadap tahap kesedaran pelanggan

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bank tentang perbankan Islam serta faktor-faktor yang menggalakkan mereka bernaung di bawah bank tersebut. Sejumlah 274 responden yang tinggal di Abidjab, Côte D' Ivoire mengambil bahagian dalam kajian tersebut. Data diperolehi melalui pengukur kajian yang telah diadaptasi. Data dianalisis menggunakan IBM SPSS AMOS perisian versi 21 untuk statistik deskriptif dan statistik inferensi. Keputusan kajian menunjukkan bahawa kebanyakan pelanggan bank Ivoria sedar akan perbankan Islam tetapi mereka kurang pengetahuan tentang operasinya. Lagipun, pelanggan menunjukkan kesediaan yang tinggi untuk mengunjungi bank apabila ditubuhkan di Côte D' Ivoire kelak selagi ia tidak begitu mahal untuk melanggannya. Faktor-faktor yang mempengaruhi untuk bernaung di bawah bank tersebut termasuklah agama, faktor perbankan dan faktor yang berkaitan dengan pelanggan, serta norma-norma masyarakat. Berdasarkan hasil kajian, cadangan-cadangan turut diutarakan.

Kata Kunci: Côte d'Ivoire; tanggapan pelanggan; perbankan Islam; model pengukuran; agama.

The Islamic banking industry has witnessed phenomenal growth over the last five decades since when it started in Egypt. The industry has been growing at an estimated rate of 15-20 per cent per annum, spreading to all corners of the globe, and receiving wide acceptance by both Muslims and non-Muslims (Thambiah, Eze, & Santhapparaj, *Arumugam*, 2011). Specifically, Ernst and Young (2014) puts the current compound annual growth rate (CAGR) of the global Islamic banking industry to around 17 per cent over the period 2009-2013. Notwithstanding its prospects, Ernst and Young (2014) also noted that there is a considerable slowdown in the Islamic banking industry mainly due to the operational transformation that the few global leading Islamic banks concentrated in the Middle East and Malaysia are undergoing. As such, numerous studies like Obaidullah (2008), Karim, Tarazi, and Reisse (2008) noted the relative smallness of the Islamic banking industry vis-à-vis the entire global banking industry. One of the reasons advanced by these studies is that the depth and breadth of Islamic banking in Muslim-dominated economies is yet to be optimized. This is very apt in the context of West Africa where Islamic banking and finance is just beginning to take root, despite having a Muslim majority in its population of about 300 million (Abdullahi, 2013).

According to the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRI) (2012), Africa can

be considered the second largest Muslim population in the world, where though 540 million or 52.4% of its population is Muslim, penetration of Islamic banking and finance is limited to only about 5% of total banking assets. This ideally offers a fertile ground for the growth and development of Islamic banking especially in large parts of West Africa (Gelbard et al., 2014). While initiatives to develop Islamic banking and finance has received policy attention and implementation for its commencement in some West African countries, for instance Nigeria (Abdullahi, 2013), other West African countries with apparent potential such as Côte d'Ivoire are also trying to buy in into the idea. For example, as noted in Kuwait Finance House (2011), Abdullahi (2013) and Tamweel Africa Holding (2013), just like in other Muslim dominated countries in the West African sub-region, momentum is gathering and attention is arousing among Ivorian Muslims on the feasibility of setting up of an Islamic banking system in the country.

Islamic banking has a good prospect for growth in Côte d'Ivoire given that it is the richest francophone economy and only second to Nigeria in terms of size of economy among the Economic Community of West African States (ECOWAS) countries. Moreover, with a population of about 9 million (39%) Muslims out of its total 22 million people (CIA World Fact Book), a literacy rate of 57 per cent, and an urban population of about 53 per cent (World Bank, 2014), Côte d'Ivoire promises huge prospects for the burgeoning Islamic banking and finance industry in West Africa.

The rationale for the establishment of Islamic banking in Côte d'Ivoire stems from a plethora of concerns. Like in most West African countries, the population of Côte d'Ivoire is broadly divided between the less economically prosperous and Muslim-dominated northern part, and a relatively more literate and prosperous non-Muslim-dominated southern part. In fact, it is only in the current political dispensation, after an infamous political impasse, that a Muslim is ruling the country for the first time. As such, given its renewed commendable relationship with the Islamic Development Bank, Jeddah, which in 2014 granted it 1 billion USD for various developmental projects, Côte d'Ivoire can also request for assistance to help provide technical as well as capital injection for newly established Islamic banks, as was done in the case of Jaiz bank in Nigeria.

Furthermore, the present rate of financial exclusion in Côte d'Ivoire seems very high. This is more so compared to other countries like Nigeria where the total number of bank account holders is around 38 per cent, or in South Africa, where it is 55 per cent. Presently, the government of Côte d'Ivoire is working to promote access to banking services throughout the nation, as the country currently has an access rate of 14.67 per cent. The Ivorian government undertook that initiative in order to create the requisite conditions for strong growth and realize its wishes by transforming the country into an emerging economy by 2020. However, this lofty effort by the Ivorian government may be impeded by both voluntary and involuntary financial exclusion factors. For instance, extant literature on financial exclusion documents numerous reasons including religion as possible explanations for voluntary financial exclusion (Adewale, Pramanik & Kameel, 2012). Also, as cited in Mohseni-Cheraghlou (2015), the Global Financial Inclusion (Global Findex) data set indicates that most Muslim-dominated nations suffer voluntary financial exclusion due to religious reasons. This may be a plausible explanation for the high rate of financial exclusion in Côte d'Ivoire. This is because with a majority Muslim population, it is possible that a large majority are unbanked due to interest charged on conventional finance and other uncertainty related practices of the conventional banking system. Therefore, to the extent that alternative interest-free financing that an Islamic bank offers is not available in Côte d'Ivoire, so many potential bank customers may be deprived of their preferred choice of banking.

At present, there are twenty-four commercial banks in Côte d'Ivoire and none of them presently offers any full-fledged Islamic banking or Islamic banking window operation. This is notwithstanding the huge socio-economic benefits inherent in the underlying philosophy and practice of Islamic banking. However, it may also amount to overstretching assumptions to expect that once established, Ivorians would buy in to the idea of patronizing Islamic banking alternatives. Presently, a study on Ivorian bank customers' perception towards Islamic bank in terms of their awareness about it, their willingness to adopt it, and bank selection criteria is almost nonexistent. The need to fill this lacuna motivates the investigation in this study in order to expound on whether the clamour for the establishment of Islamic banking system in Côte d'Ivoire arises from excessive hype or indeed represents an

imperative. The main objective of this study is to empirically investigate the feasibility of establishing Islamic banking in Côte d'Ivoire and to assess what factors might motivate its adoption when it eventually commences.

Islamic banking in West Africa

Islamic banking is not a new phenomenon in Africa, as it dates back to the 1960s when the first Islamic bank was established in Egypt. Although quite few, a number of studies have been conducted on Islamic banking in Africa, notably those by Korouma (1989), Abdel Karim (2012), Statistical, Economic and Social Research and Training Centre for Islamic Countries (2012), Abdullahi (2013), and Gelbard et al. (2014).

Korouma (1989) investigated the experience of Islamic Banks in West Africa. Specifically, the study tries to review the emergence of Islamic banking in selected Islamic countries in West Africa, namely Guinea, Niger, and Senegal. The study discovered that there were many economy-related setbacks that hindered the establishment of Islamic banks in these countries. Nonetheless, the emergence and development of Islamic banks in these sub-Saharan African countries has been progressive. In 1983, following high-level contacts in Guinea, Niger, and Senegal, six subsidiaries were established by Dār Al-Maal Al-Islamī (DMI) in these countries—three in Islamic banking and three in investment fields. The rationale for the establishment of these pioneering Islamic financial institutions by DMI in Africa can be found in the declaration of its founders, who stated that “It is a religious duty to shelter Muslims throughout the world from the effects of *Ribā* by providing access to Islamic financial institutions.”

The report of the study conducted by Kuwait Finance House (KFH) about the future of Islamic finance in Africa in 2011 indicated that Islamic banking business is emerging progressively. For instance, the provisions of the Banks and Other Financial Act (BOFIA) 1991, as amended, provided for the establishment of Islamic banking in Nigeria. Subsequently, in 1992, Habib Bank got the authorisation to run an Islamic banking window which is still operational with Bank PHB. In June 2011, the latest new guideline for non-interest banking was released by the Central Bank of Nigeria, and Jaiz International Bank was granted a banking license to establish the country's first Islamic bank in January

2013. The chairman of Jaiz Bank, Alhaji Umar Mutallab, declared at its inaugural Annual General Meeting that “the whole idea of this banking option is to bring more people into banking in Nigeria that provides banking without interest.” Currently, the bank has eighteen branches in nine different states across Nigeria. Jaiz Bank PLC has a strategy of increasing its capital base to 17 billion naira (\$78 million) and to expand its operations by increasing its branches across the country to 100 by 2017.

Moreover, the KFH study highlighted the developments in Islamic banking in Senegal in 2009. The Islamic Corporation for the Development of the Private Sector (ICD), a subsidiary of Islamic Development Bank (IDB), sold 40 per cent of its share of Islamic Bank of Senegal to Bank Asya, Turkey’s leading partaking bank. In an attempt to spread the interest-free institutions throughout Africa, especially in the western part of the continent, Bank Asya, the IDB, and the ICD will work jointly to achieve this goal.

In September 1996, the Central Bank of The Gambia granted a license to the Arab Gambian Islamic Bank Limited (AGIB), which was incorporated as a private limited liabilities company on 11 November 1994. Some amendments were made on the Financial Institution Act 1992 of Gambia to permit the first and only Islamic Bank in the country to start its operations in a completely conventional banking society. The Islamic Development Bank (IDB) was in charge to provide technical assistance to AGIB in the form of human resources for one year. In July 2008, after a takeover agreement, AGIB sold 70% of its shares to FinBank in Nigeria. Presently, AGIB runs its business only in Gambia and has more than 105 employees with four branches along with the Head Office, and it also plans to scale up in the near future.

The Banque Islamique de Guinée (Islamic Bank of Guinea), founded in 1982, is considered to be the first private bank of Guinea. The bank has its headquarters in Conakry plus two other branches. It employs sixty-two persons and provides its different facilities to retail and corporate customers. With the support of Tamweel Africa Holding, the bank aims to increase its reach in the local market and take advantage of the flourishing banking sector of Guinea. The bank has a capital of €8.1 million in 2012 with total assets of €34.3 million and profit of €332,169 at the end of 2011.

In Mauritania, the first Islamic bank in place is known locally as Banque Al Wava and was established in 1985 by the Al Baraka Group. Al Baraka has three branches, two in the capital city Nouakchott, and one in Tevragh-Zeina. The bank's assets are worth US\$992 million, and it provides retail and commercial banking services. And the Islamic Bank of Mauritania was established in 2011 by Tamweel Africa Holding with a capital of €17.5 Million to offer a various variety of sharia-compliant products to retail, small and medium enterprises (SMEs), and corporate customers. This bank intends to play a major role in the banking industry of Mauritania by providing a high standard of service quality, well-informed employees, and fully Islamic products. Most Mauritanians, however, do not use banks of any type, either conventional or Islamic, thus making the country one of the most financially excluded in the world.

In Niger, Tamweel Africa Holding holds the greater part of shares of the Islamic Bank of Niger (BIN) since 2009 with 50.05% of the shares. The bank operates with a capital of €7.622 million, and with a head office based in Niamey staffed by sixty-five employees. Tamweel Africa Holding aspires to elevate the bank to be among the most brilliant in the Niger banking sector, by means of offering services of high class to retail, commercial, and institutional customers, as well as via a variety of innovative sharia-compliant products. Niger Islamic Bank registered some improvements from 2010 to 2011, as its total assets increased from €22.6 million to €36.9 million, and profit increased from €657,000 to €1.9 million.

In Senegal, with a capital of €15,244,902, a network of fourteen branches, and a head office with 140 employees at its disposal, the Islamic Bank of Senegal (Banque Islamique du Sénégal—BIS) represents the largest affiliate of Tamweel Africa Holding in the region. In this regard, since 2012, Tamweel Africa Holding is the majority shareholder with 68.77% of the bank's shares. The bank achieved amazing results by means of capital injection and by fulfilling the needs of the current market. For instance, the bank's total assets base more than doubled, from €74.8 million in 2009 to €154.7 million by the end of 2010, as well as increased profits from €82,000 to €3 million. At the end of 2011, the total assets reached €257 million with a rise of profit to €6, 5 million. BIS plans to augment its market share to 10% by 2016, and also to increase its channel of distribution to comprise fifty-two branches.

Ironically, notwithstanding being arguably the largest francophone economy in West Africa, Côte d'Ivoire has no Islamic banking windows or full-fledged Islamic banks in operation. Rather, the financial sector is purely conventional. Some efforts have been undertaken by the large banks and new entries (for example, the Bank of Africa) to expand access to banking services to underserved markets, but the clientele are apparently still largely the affluent in the society. The problem of the low rate of users of the banking services thus still prevails in the country. The four major banks constitute roughly three-fourths of the total net assets, which indicate the degree of concentration in the Ivorian banking sector. In this regard, the concentration of the banking industry continues to be led by subsidiaries of French banking concerns, which account for 60 per cent of the customer base, but roughly 40 per cent of total assets and 30 per cent of total capitalisation.

Currently, the banking sector comprises twenty-three commercial banks plus another financial institution, five of which are owned by the government and contribute 21 per cent of total assets. In addition, the Ivorian banking system is structured in a way that includes four banks in general purpose with a strong network (BIAO-CI, SGBICI, BICICI, SIB); five banks in general purpose with a small network (BOA-CI, BACI, COBACI, Ecobank-CI, SCB-CI); four banks in general purpose without a network (COFIPA, Citibank-CI, Omnifinance-CI, and Versus Bank-CI); and four banks in the specialized domain (BHCI, BNI, BFA, BRS-CI). It is also important to note that Côte d'Ivoire still accounts for the biggest portion (30%) of the UEMOA financial system.

Awareness of customers and their attitudes toward Islamic banking

In recent years, researchers are increasingly interested in studies on bank customers' perceptions and factors influencing patronage of Islamic banks. However, these studies are very few compared to those conducted on conventional banking customers. In fact, studies by Haron et al., (1994), Gerrard and Cunningham (1997), Metawa and Almosawi (1998), Bley and Kuehn (2004), Okumus (2005), and Göksu and Becic (2012) are among the few studies conducted worldwide in this area, in both Muslim-majority and non-Muslim-majority countries. Indeed, Erol and El Bdour (1989) and Erol et al. (1990) are deemed to be the earliest studies on attitudes and awareness of bank customers towards Islamic banks.

In Jordan, Erol and El Bdour (1989) surveyed customers of both Islamic and conventional banks and found that in general, respondents were aware of Islamic banking and its products and services but noted no distinction between both the Islamic and non-Islamic banking systems. Subsequently, Gait and Worthington (2007) noted a study that examined the perceptions of 300 Muslims towards Islamic banks in the UK. At that time, conventional banks were in charge to provide Islamic products via their Islamic windows. This study came to the conclusion that a high level of ignorance prevailed among Muslims in the UK concerning Islamic finance principles.

In contrast, Haron et al. (1994) conducted a study in Malaysia and found the rate of awareness of the Muslim population of the existence of Islamic banks was 100 percent compared, to 75 percent amongst non-Muslims. Around 63% of Muslim respondents claimed to understand either partly, or completely, the differences between the Islamic and conventional banking systems. In Singapore, Gerrard and Cunningham (1997) found that a small fraction of Muslims was aware of the concept of Islamic banking, while non-Muslims had a near-absolute lack of understanding or were totally unfamiliar with the Islamic financial terms.

In Malaysia, Ahmad and Haron (2002) adopted a new approach by inspecting the perceptions of non-Muslim corporate customers towards Islamic banking. They found that the popularity of Islamic banking products among those corporate customers was negligible, and their knowledge about Islamic banking was partial. For instance: They were unfamiliar with principles such as *muḍāraba* (investment partnership), *bay' mu'ajjal* (deferred payment contract), *ijāra* (leasing), *istiṣnā'*, *bay' salam* (forward sale) and others used in Islamic banking. In addition, about 50 per cent of the respondents believed that Islamic banking products and services had a great opportunity to be accepted by customers, while 75 per cent of them thought that Islamic banks in Malaysia did not undertake sufficient marketing to promote their products and services to corporate customers.

In Turkey, research conducted by Okumus (2005) on the customers of Special Finance Houses offering Islamic banking facilities indicated that the most of the respondents lack understanding of the specific Islamic terms such as *muḍārabah*, *murābahah* (cost-plus financing),

mushāraka (partnership), and *ijārah*. Another finding is that two-third of the respondents believed that the facilities offered by SFHs are alike to those of conventional banks, apart from that fact that the former function according to sharia law, that is, with interest-free principles.

Rammal and Zubruegg (2006) pointed out in their study that Australian Muslims were enthusiastic about the idea of Islamic banking and its adoption, despite the general lack of awareness of Islamic finance principles. Likewise, Khan, Hassan and Shahid (2008) investigated the banking behavior of Islamic bank customers in Bangladesh and found that there was a good level of customer awareness and usage of current and saving accounts as well as for term deposits and savings bonds. Meanwhile, with regard to borrowing products, except *qarḍ al-ḥasan* (a benevolent loan), respondents were only slightly conscious of those products with low usage of them (such as *bay' mu'ajjal*, *murābahah*, *ijārah*, hire purchase under *shirkat al-milk* (partnership by ownership), *mushāraka*, and *bay' salam*).

In Thailand, Lateh et al. (2009) conducted a survey to determine Muslim and non-Muslim Thai customers' perceptions of the characteristics and objectives of the Islamic bank. The findings of this study indicated that most Thai customers were conscious that the distinctive feature underlying the practice of the Islamic banking system from the conventional one is its interest-free nature. In addition, they believed that Islamic banking products and services are similar to those of conventional banks, apart from the names used to highlight the products, which implies, according to the researchers, that those respondents had little understanding of the Islamic banking system products and services.

At the same time, in Libya, Gait (2009) surveyed retail bank consumers, business firms, and banks on their attitudes and awareness of Islamic methods of finance. The results showed that around 90.1% of retail bank customers were aware of the existence of Islamic banks, but that they were unknowledgeable with regard to Islamic financing methods such as *muḍāraba*, *murābaha*, *istiṣnā'*, and *bay' mu'ajjal*, except for *mushāraka* and *qarḍ al-ḥasan*, which were known by 67.8 per cent of them.

In Pakistan, a study conducted by Khattak and Rehman (2010) showed that the majority of customers were not aware of the different

Islamic banking products such as *ijāra*, *murābaha*, and *mushāraka*. Also, Khan and Asghar (2012) found that Islamic banking products had good potential to succeed and grow in Pakistan, as the Muslim community was excited to transact with those products because they believed that those products were in line with Islamic teachings, even though Islamic banks carried out operations in the same way as conventional banks.

Saini et al. (2011) in their South African study found that there was a high level of awareness among respondents, as 96.6 per cent of them were conscious of Islamic banks, while more than half of them believed that Islamic banking is inherent to interest-free banking. Also, in Bosnia and Herzegovina, Göksu and Becic (2012) found that generally, participants showed extreme lack of comprehension of the principles of Islamic banking and its operations, and even most of them were not acquainted with the term Islamic banking. A secondary finding is that the largest part of the respondents thought that the Islamic bank loans are more expensive compared to those of conventional banks. The researchers also believed that the majority of clients who approached Islamic banks did so principally for religious reasons.

Islamic bank selection criteria

Customers' selection criteria of banks are the rationale behind customers having preference for one bank rather than another. There is a quite significant number of studies on the topic from the Islamic banking perspective. For instance, Erol and El Bdour (1989) and Erol et al. (1990) are considered to be the pioneers of banking preference criteria studies on Islamic banking context. Erol and El Bdour (1989) and Erol et al (1990) found that customers who patronized Islamic banks were more motivated by the following criteria in their bank selection: fast and efficient service, bank's reputation and image, friendliness of bank personnel and confidentiality of the bank. Thus, religious motivation was not taken into account as the primary criterion for the selection of Islamic banking services in Jordan. Similar results were found by Haron et al. (1994) Ahmad and Haron (2002), Gerrard and Cunningham (1997), Nasser et al (1999), Okumus (2005), Lateh et al. (2009), Khattak and Rehman (2010), Saini et al. (2011), who also highlighted that customers place high importance on these factors in selecting the Islamic banks in Malaysia, Singapore, Jordan, Turkey, Thailand, Pakistan and South Africa.

Comparing the Muslim and non-Muslim customers, Haron et al, (1994) found that the Muslims perceived fast and efficient service, speed of transaction, friendliness of bank personnel as most important criteria in choosing their banks, while the non-Muslims considered friendliness of bank personnel, fast and efficient service, reputation and image of bank (reception received at the bank) in a decreasing order. They also observed that people were not only attracted to patronize Islamic bank because of religious consideration. This result is consistent with studies conducted in Thailand and Malaysia by Lateh et al. (2009) and Loo (2010) reported that these two groups had different perceptions in terms of their motivations to select a bank. For example: the Thai Muslim customers perceived the interest free saving as the most important factor, while the Thai non-Muslim gave more importance to factors such as: bank's reputation and image, knowledgeable and competent personnel.

Several studies in the literature pointed out religious motivation as the main criteria in the selection of Islamic banks by customers (Metawa & Almosawi, 1998; Othman & Owen, 2001; Khan & Ashgar, 2012). These studies indicated that respondents perceived obedience to Islamic principles as the most important criterion in their bank selection. However, some studies found religious motive as one of the criteria and not the main criteria in selecting Islamic banking. (Hegazy, 1995; Naser, Jamal, & Al-Khatib, 1999; Al-Ajmi, Abo Hussaina & Al-Saleh, 2009; Mansour, Abdelhamid, Masood & Niazi, 2010; Rustam, Bibi, Zaman & Ul-Haq, 2011). These studies found that the criterion "low services charges" was on the peak of customers' criteria regardless of the demographic features and the religion of the respondents.

Much more lately Dusuki and Abdullah (2007) investigated the main factors which motivate customers to patronize Islamic banks in Malaysia. The findings revealed that knowledgeable and competent personnel along with friendliness and courtesy of the bank employees were regarded as the most important factors by the Malaysian customers. The findings are consistent with the study of Abbas et al. (2003), who reported in their findings that the main reason for which customers turn away from Islamic finance is incompetence and lack of courtesy of the bank's personnel. On the other hand, the bank location and product prices were considered the least important factors by them. Dusuki and Abdullah (2007) also argue that the dependence of Islamic

banks on the islamicity of their financial products to attract customers is not sustainable in a fierce competitive world; rather they should also promote quality services that can satisfy their clients.

Sequel to the foregoing literature review, an attempt is made in this study to investigate the likely factors that may motivate the patronage of Islamic banking and finance in Côte d'Ivoire. As rightly mentioned in Dusuki and Abdullah (2007), it is unlikely that the sustainability of such Islamic banks upon establishment would be sustained based on religious leverage only. Rather, as Islam itself enjoins excellence in a Muslim's conduct in its entire ramifications, the relative importance of other motivating factors for patronage may not be discountable.

Methodology

The research design adopted in this study is the quantitative design. This is in line with a positivist stance that the study is hinged upon. As such, the statistical significance of pertinent research statements is tested quantitatively in order to draw inferences upon which the research findings are made and conclusion arrived at. Findings are located in the context of the extant literature. Although, the study is exploratory in nature, qualitative research approach is not adopted because prior studies have identified a number of variables whose statistical significance is subjected to test in this study.

The population of focus in this study are Ivorian that live in Abidjan and are within the economic active age of 18 years and above thus eligible to have a personal bank account of their own. It is envisaged by the researchers that relevant information can be elicited from this group of respondents especially given the relative easiness of the questionnaire administered on them. The data elicited from the respondents cover awareness of, willingness to, influencing patronage factors, as well as the challenges facing the viability of Islamic banking and finance in Côte d'Ivoire.

Given that Abidjan is the economic nerve centre of Côte d'Ivoire, it may be much easier to find respondents that can independently complete the research instrument. It may be quite difficult ascertaining how many economic active adults there are in Abidjan metropolis. However, for a wider coverage, intensive study, degree of accuracy desired, homogeneity of respondents, as well as allowance for non-response, a

sample size of 400 was used in this study. A convenience sampling method based on location was used to pre-select sampling units. In this case, bank branches in certain district of Abidjan were visited and the instrument was administered on respondents based on their willingness to partake in the survey as they wait to take their turns at the various banks within the Abidjan metropolis between January and March, 2013. In all, a total of 274 usable questionnaires were collected and used for subsequent analysis in this study.

The data collection instrument was through a survey questionnaire that was administered on the respondents. The survey questionnaire was designed in such a way to capture pertinent questions related to the objectives of this study so as to facilitate various ways of quantitative data analysis. In addition, the questionnaire also obtained data related to the demographic profiles of respondents. This may be crucial to assessing the relevance of the data analysed vis-à-vis the respondents from whom it was elicited. Data elicited is subjected to both descriptive and inferential statistical analyses using the IBM SPSS (statistical package for social sciences) version 21.

Respondents' profile

This section provides some basic information about the respondents who completed the research instruments used in this study. As shown in Table 1, most of the respondents are males (82.8 per cent) while the remaining 17.2 per cent of the respondents are females. Most of the respondents are owners of a bank account with 66.7 per cent representation. This is important for the fact that these respondents have some form of banking experience. The remaining 33.3 per cent of the respondents do not have bank accounts as at when they were administered questionnaires. Most of the respondents are Muslims with 86.8 per cent representation while the remaining 13.2 per cent were Christians. While this distribution may not necessarily reflect the population distribution in Côte d'Ivoire along religious divides, it is envisaged that it should have a positive implication for the inferences drawn from the data.

Furthermore, the majority of the respondents are between the age groups of 20-30 years with 67.8 per cent followed by those under 20 years and those between 31-40 years were 9.8 per cent apiece of the total respondents. Majority of the respondents hold bachelors or postgraduate degree which constitute 65.6 per cent followed by those

holding secondary school certificates with 31.0 per cent and finally 3.4 per cent for those holding a primary school certificate. In addition, students account for the vast majority of the respondents with 73.6 per cent followed by those who are working in private sector or own personal businesses or government employee with 15.5 per cent, 5.7 per cent and 5.2 per cent respectively.

Table 1: Demographic profiles of respondents

<i>Demographic Variables</i>	<i>Frequency</i>	<i>Percentage</i>
Gender:		
Male	227	82.8
Female	47	17.2
Religion:		
Islam	238	86.8
Non-Muslims	36	13.2
Age:		
Less than 20 years	31	9.8
20-30 years	186	67.8
31-40 years	31	9.8
41-50 years	24	8.6
Above 50 years	11	4.0
Educational Qualification:		
Primary School Certificate	10	3.4
Secondary School certificate	85	31.0
Bachelor Degree / equivalent	96	35.1
Postgraduate	84	30.5
Profession:		
Student	202	73.6
Civil Servant	14	5.2
Private Sector Employee	42	15.5
Self-employed	10	3.4
Others	6	2.3
Bank Account Ownership:		
Yes	183	66.7
No	90	33.3

Awareness about Islamic banking and readiness for its acceptance

This section gauges the level of Ivorian people's awareness about Islamic banking as well as to what extent they are ready to accept it. Table 2 below shows the distribution of the respondents in this regard.

Responses obtained showed that Ivorian people are aware about the existence of Islamic banking institution elsewhere. This may due to the mass media or to the presence of Islamic banks in the region of West Africa in counties such as Niger, Senegal, Nigeria and so on. Similar results were found by Gait (2009) in Libya, which gives credence to the fact that awareness of Islamic banking always satisfactorily precedes its eventual commencement. However, as found in some previous studies, such commendable awareness level does not necessarily translate into requisite knowledge about Islamic banking.

Table 2: Respondents' perception on Awareness of, Knowledge about Islamic Banking (IB) in Côte d'Ivoire

Options	Strongly Agree%	Agree%	Indifferent%	Disagree%	Strongly Disagree%
Awareness of IB	50	38	4	4	4
Knowledge about IB	2	17	12	40	29
Differentiate between IB and CB	15	25	12	31	17
Awareness about prohibition of interest	52	25	12	4	8

Source: Authors' computation

Results obtained indicate that most of the respondents (around 69 per cent) declared that they have no knowledge about Islamic banking and finance and 48 per cent of them did not know the difference between the Islamic and conventional banks. This result is consistent with the studies conducted by, Gerrard and Cunningham (1997), Rammal and Zubruegg (2006), Rustam et al (2011), Göksu and Becic (2012), in United Kingdom, Singapore, Australia, Pakistan and Bosnia Herzegovina respectively. They found that a high level of ignorance prevailed among bank customers with regard to the concept, principles, and the mode of operation of Islamic finance, or perhaps they just understand it partially. Moreover, as in the Ivorian context, in Jordan, the study of Erol and El Bdour (1989) revealed the lack of differentiation among respondents between the two types of banks in terms of the services they offer.

Quite specifically, the result demonstrates that the majority of the respondents (77%) agreed with the fact that Islam disallows people from paying or receiving interest indicating that they are aware about the prohibition of interest on loan by Islam. This suggests the degree

of consciousness of Ivorian Muslim and their commitment towards the basic laws of their religion. This finding might be somewhat related to that of Lateh et al. (2009) who found that most bank customers in Thailand were conscious that the distinctive feature underlying the practice of the Islamic banking system from the conventional one is its nature of interest free banking.

Intention to operate an Islamic banking account

Questions relating to the respondents' intent to operate an Islamic banking account revealed some interesting findings. Based on results obtained as shown in Table 3 below, 65 per cent of the respondents agreed with the fact that if they have an opportunity to open an account with an Islamic bank, they would transfer their existing account from the conventional banks. In addition, about 74.1 per cent of respondents representing the majority, agreed or strongly agreed with the item "I would like to have an account in an Islamic bank if available". While 18.4 per cent were indifferent, and only 7.5 per cent of the respondents were not wishing to have an Islamic bank account. This finding aligns with Rustam et al (2011) and Gait (2009) in their Pakistani and Libyan studies respectively. In the same vein, Rammal and Zubruegg (2006) pointed out in their study that Australian Muslims were enthusiastic to the idea of Islamic bank and its adoption, despite the lack of awareness of the Islamic finance principles which was prevailing among them.

Table 3: Respondents' perception on willingness to open an account with an Islamic bank (IB) in Côte d'Ivoire

Options	Strongly Agree%	Agree%	Indifferent%	Disagree%	Strongly Disagree%
Likelihood of transferring account from conventional bank to Islamic bank	37	28	24	8	4
Likelihood of establishing a relationship with an Islamic bank	40	44	12	4	1
Likelihood of patronizing IB even if more costly than CB	13	8	35	23	22

Source: Authors' computation

As shown in Table 3 above in response to the statement "you might establish a relationship with an Islamic bank after having a complete

understanding of its operations” most of the respondents (84%) indicate agreement. While 11.5 per cent were neutral, only 4.6 per cent disagreed with it. Similar result was found in Malaysia by Haron et al, (1994) whose study revealed that there is, according to 80 per cent of the Muslim respondent, the possibility of Muslims turning out to Islamic banks if they have good understanding of how these banks operate. The results imply that the acceptance of Islamic banking by some people is subject to its understanding. This indicates that people are ready to accept Islamic banking; but if they are asked to transfer their existing accounts in conventional banks to the Islamic bank account, some of them will decline. However, Ivorian people are ready to embrace Islamic banking as long as the pricing of its products are affordable to them. About 21 per cent of the respondents agreed with the related statement while 45 per cent disagreed. The remaining 35 per cent were indifferent.

Factors that motivate Ivorian public to adopt Islamic banking

This section discusses about the main factors which might make Islamic banking more attractive to the potential customers. Thus, we asked respondents to express their view on the relative importance of each criterion on their decision to patronize an Islamic bank when one is eventually established in Côte d'Ivoire. These criteria can be categorized into four broad factors, which are religious factors, customer related factors, bank-related factors and social norm factors.

After subjecting the data to some cleaning, an exploratory factor analysis was conducted using IBM SPSS version 21. This was based on principal component analysis with varimax orthogonal rotation and an eigenvalue cut-off of 1. Following a satisfactory Kaiser-Meyer-Okin sample adequacy score of 0.833 and a statistically significant Bartlett's test of sphericity, four factors were extracted explaining 66.438 per cent of total variance. Religion related factors with five items explaining 16.02 per cent of the total variance in the data: Social Norm related factors with six items and with 33.20 per cent of explained variance. The remaining two factors are Customer related factors with three items and explaining 9.11 per cent of total variance, and Bank related factors with three items explaining 8.10 per cent of the total variance respectively.

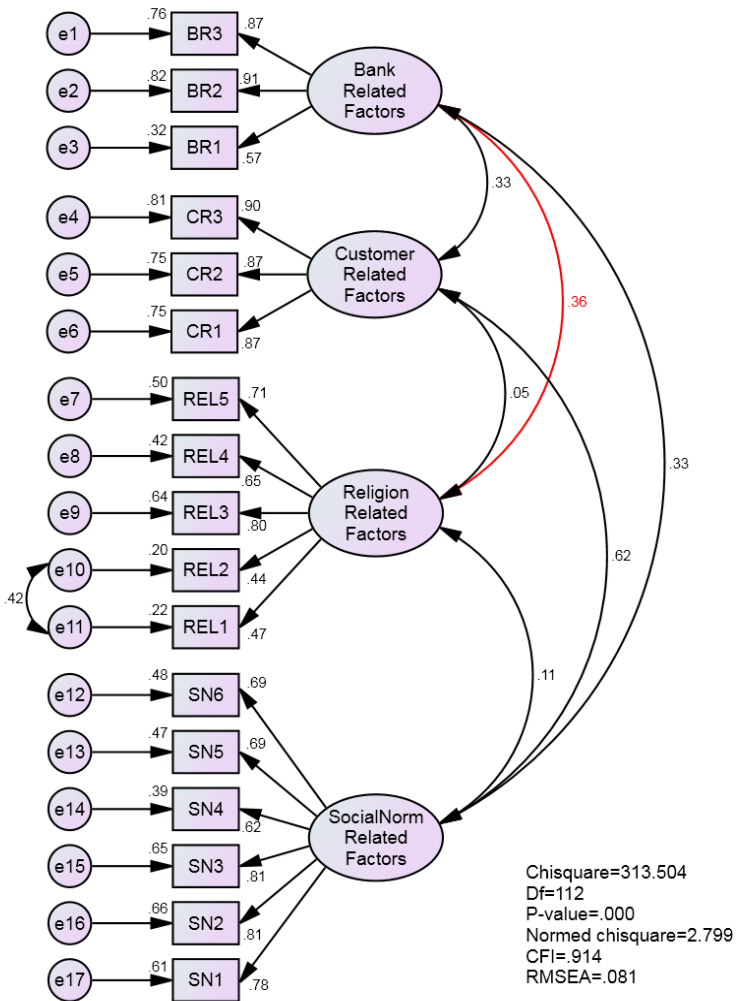


Figure 1 Measurement model based on maximum likelihood estimate

Following the exploratory factor analysis, a confirmatory factor analysis based on the maximum likelihood estimation¹ was carried out on the data. The model as shown in Figure 1 fits the data as all fit indices have satisfactory scores to indicate that the items in the questionnaire have a non-zero loading on their respective latent factors.² No offending estimates or Heywood cases were observed in the model. Following the suggestions in Mueller and Hancock (2008), the fit of the model

was assessed based on the normed chi-square, comparative fit index, and the root mean square error of approximation. Based on the results obtained, the model had a value of 313.504 (112, N=274), $p=0.000$. The p -value less than 0.05 suggest that the null model should be rejected thereby invalidating the model. However, as noted in Blunch (2008) the susceptibility of the chi-square test to sample size requires that the model is still acceptable based on the fact that the normed chi-square value is less than 3. Moreover, the CFI score of 0.914 which is greater than the threshold of 0.90 and a RMSEA score of 0.81 which is less than the 0.10 criteria satisfy the requirement for the model acceptance. As such, the four factor model extracted in the exploratory stage confirmed.

As shown further in Table 4 below, the construct reliability, as well as both the convergent and divergent validity are also tested. The reliability should be greater than 0.7 to show internal consistency of the constructs. The convergent validity indicates that all items measuring the same variable converge together. This is confirmed with the Average Variance Explained (AVE) score greater than 0.7. The only item with convergent validity issue is the Religion related factor. The divergent validity indicates that each latent factor differs from another and this is indicated with the AVE scores greater than those of the Average Shared Variance (ASV), and Maximum Shared Variance (MSV).

Table 4: Measurement model reliability and validity

	CR	AVE	MSV	ASV
Religion_Related_Factors	0.756	0.394	0.130	0.048
Bank_Related_Factors	0.835	0.636	0.130	0.116
Customer_Related_Factors	0.910	0.772	0.388	0.167
SocialNorm_Related_Factors	0.876	0.543	0.388	0.169

Based on the responses obtained, the most important religious factors in the view of respondents was the item “the opportunity to get interest free loans” while the most important customers related factors was the item “wider range of products and services offered” with a mean score of 3.93. According to descriptive data analysis “Confidence in the bank’s management” was seen by the respondents as the most important bank related factors. With regard to social norm factors, recommendations of relatives and friends are perceived by respondents as the most influential compared to mass media advertising.

The choice of respondents on “Confidence in the bank’s management” as the most important criteria in selecting Islamic banking is consistent with the findings by Gerrard and Cunningham (1997) and Lateh et al. (2009) who indicated the importance of this factor by the Muslim and non-Muslim in Singapore and Thailand. Furthermore, the results revealed that religion is among the motives of the Ivorian respondents’ selection of Islamic banking in Côte d’Ivoire. This result is in line with the findings by Hegazy (1995); Naser et al (1999); Al-Ajmi et al. (2009); Mansour et al (2010); and Rustam et al. (2011), that religious motive is one of the criteria in selecting Islamic banking in Egypt, Jordan, Bahrain, United Kingdom and Pakistan respectively. Metawa and Almosawi (1998); Othman and Owen (2001); and Khan et al. (2008) pointed out religious motivation as the main criteria in the selection of Islamic banks by customers in Bahrain, Kuwait, and Bangladesh respectively. In fact, obedience to Islamic principles was considered as the most important criterion in their bank selection.

The familiarity of respondents with Islamic finance terms

Furthermore, an investigation about the understanding of Ivorian customers about the terminology used to label Islamic banking products was also carried out. The results indicate a very high rate of ignorance among the respondents regarding the terminology of Islamic finance. For instance, around 70 to 77 per cent have never heard about those terms such as *wadī‘ah* (deposit), *murābahah* (cost-plus financing), *muḍārabah* (investment partnership) *tawarruq* (reverse *murābahah* or tripartite sales contract), and *ijārah* (leasing). Likewise, with regard to the terms *Istisna/Salam* and *Musharaka*, 64.4% to 67.8% of the respondents have never heard about them before.

This result is consistent with findings by Gerrard and Cunningham (1997), Ahmad and Haron (2002), Okumus (2005), Gait (2009), Khattak and Rehman (2010), that the majority of the customers were not aware of the terminology used to label Islamic banking products in Singapore, Malaysia, Turkey, Libya and Pakistan respectively. Plausible reason could be what Bley and Kuehn (2004) pointed out that that the understanding of the vast number of non-Arabic language populations seem to be hindered by the fact of using Arabic language terminology in labeling Islamic finance products and services.

Conclusion and recommendations

One of the objectives of this study is to assess the current level of awareness on Islamic banking in Côte d'Ivoire. The results indicate that the majority of Ivorian bank customers are aware about the existence of Islamic banks; but they have little or no knowledge about how Islamic banking and finance is operated. For instance, except a small group, they were totally unfamiliar with the terminology used to label Islamic banking products such as: *Wadī'ah* (Deposits), *Murābaḥa* (Cost-plus financing), *Muḍāraba* (Investment Patnership), *Mushāraka* (Patnership), *Tawarruq* (Reverse *Murābḥaa* or tripartite personal financing contract), *Istisna* (pre-manufacture sales) /*Salam* (forward sale) and *Ijāra* (Leasing). This might be due to the absence of Islamic banks in the country or the fact that various mass media are not very informative from Islamic banks perspective as mentioned by most of respondents. However, most of the Ivorian bank clients are well-informed about the prohibition of interests in general by Islam which represents the distinctive feature underlying the practice of the Islamic banking from the conventional banking.

In relation to the research question on factors that might motivate bank customers to adopt Islamic bank in Côte d'Ivoire, some interesting findings were obtained. The results demonstrate that bank customers are motivated to use Islamic methods of finance based on criteria which are predominantly religious considerations, bank related factors, customer related factors, and societal norms. Thus, we can infer that religious motivation is among the main criteria for likely patronage of Islamic bank in Côte d'Ivoire.

With regard to the objective to investigate on whether the people of Côte d'Ivoire are eager to have an alternative banking system. The findings indicate that acceptance of Islamic banking by the majority of respondents is contingent upon having a complete understanding of its operations. Besides, most of the bank customers are excited to have an Islamic bank account if available; but if they are asked to transfer their existing conventional bank account to an Islamic bank account, about one-third of them indicated they would decline. However, a large number of Ivorian people are ready to embrace Islamic banking as long as the pricing of its products are affordable to them.

We can conclude this research in accordance with the literature review and the findings of this study that Islamic banking is confidently

viable in Côte d'Ivoire. Its adoption is expected to reduce the rate of unbanked people due to the added opportunities and benefits it offers relative to the conventional finance.

In order to make the viability of the establishment of Islamic banks in Côte d'Ivoire worthwhile, some specific efforts are required. For instance, even in developed Islamic banking and finance countries like Malaysia the issue of human resource shortfall is apparent. As such, in Côte d'Ivoire the government should establish centers and professional institutions in order to provide human resources with the required skills and qualifications to operate in this industry. The government should also be flexible by allowing a positive legal and regulatory framework for the establishment of Islamic banking, and by introducing a *Sharī'ah* advisory council which will be handling matters related to Islamic banking. Moreover, success stories like the case of Malaysia, Bahrain, Pakistan, Iran etc may be understudied for possible replication and adoption in the context of local realities peculiar to Côte d'Ivoire.

Also, for better consumer education, Islamic banking operators should promote the inherent benefits and products by using diverse mass media. This is needed so that it can increase potential customers' awareness of Islamic banking services. Moreover, to be competitive in Cote d'Ivoire, Islamic banking should provide commendable quality services and keep the pricing of its products less or close to that of the conventional.

Furthermore, while the choice of Abidjan as the commercial nerve centre of Côte d'Ivoire is not in doubt, extending the study to other states and cities such as Treichville, Abobo, Cocody and Ajdame would have permitted more generalisation about the subject matter in Côte d'Ivoire. Taking into account the point of view of operators like bankers and regulators as well as policymakers no doubt would also enhance the successful implementation of Islamic banking in Côte d'Ivoire.

Endnotes

1. Likelihood Estimates (MLE) that was used in the CFA is robust against a moderate departure from the assumption of multivariate normality archetypal of social science data (Hair, Anderson, Tatham, & Black, 2006; Micceri, 1989; Smith and Langfield-Smith, 2004).

2. Each latent construct is represented by several measured variables as used in this study, thereby, permitting the measurement of latent constructs and inclusion of measurement errors for each indicator (Blunch, 2008)

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