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Factors Affecting the Adoption of Islamic Banking in Ghana

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Abstract

The study is aimed to examine the factors affecting adoption of Islamic banking in Ghana. For that purpose, four variables were included as the independent variables i.e. religion, awareness, networking and reputation and the adoption of Islamic banking. The sample included 150 respondents from Ghana. All respondents are the users of Islamic banking in Ghana. The hypotheses were tested using regression analysis with the help SPSS. The results of the hypotheses suggest that religion, awareness, networking and reputation significantly impact adoption of Islamic banking in Ghana. Hence all the hypotheses were found to be significant. The results were linked with the previous literature and limitation and future research was also mentioned.
Keywords: Islamic banking, awareness, reputation, networking, religion.

1. INTRODUCTION

The Islamic banking is considered the operations of banks that are operated through the influence of Islamic Teaching. The theme of Islamic teaching is the operations, business, trade and other financial transaction should be free from interest (Riba) and everyone sharing the surplus and deficit on the basis of their contribution (Hamid et al, 2011). If there is any business transaction or process should not be against teaching of Islam. The induction of Islamic Banking System was aroused around the world of Muslim that they are able to do their business as the Islamic teaching gives direction according to the Shariah rules and regulation (Khan et al, 2012). The rules of Shariah are being extracted from the Holy Quran, Hadith, Sunna, Ijma, Qiyas and Ijtihad. The purpose of teaching of Islam is to forbid the interest based transactions (Asdullah et al, 2016). Islamic banking system was in place but it was not focused by the scholars or the preachers but in 1963 only bank was established on the Islamic principles with the name of MitGhamr Saving Bank in the Egypt; it was not a successful effort because they were not able to focus upon the management and marketing of the bank (Obeid et al, 2016). In the global perspective; the development for the banking which is based upon Islam's perspective was made by the Malaysia and develop different policies and laws are developed to facilitate the Islamic Banking System successful. Their efforts enable the internationally make the successful banking system on the basis of Islamic teaching. Banking industry of Islamic perspective has the growth of 15 to 20% growth overall around the globe (Asdullah et al, 2016). The purpose of the research is to examine or investigate those factors that are impacting upon adaptation of Islamic perspective of banking in regard with Ghana. Ghana is a Muslim country and they are in the rehabilitation phase in which infrastructure development, economic activities and revival of political stability is going on; so it will be effective to undertake the Islam's perspective banking in the state will be a different feature to undertake the provide effective platform to the people of Ghana to conduct their business according to the Islamic teaching adequately (Ameen and Willis, 2015). The study includes different variables on the basis of the need and the preferences based upon the importance in the study.

2.0 BACKGROUND

This section of the study illustrates different concepts of Islamic banking and its variables that are the part of the conceptual framework of the study. The collected data is from the sources of previous studies, research papers, theories and other sources of information.

2.1 Adoption of Islamic Banking

In the current study researcher has selected the adoption of Islamic banking as the construct which is dependent; on the basis of this researcher is going to assess about the people preferences (Mehtab et al, 2015). There are different factors that influence to adopt the banking which is based upon Islamic principles which is going to be the independent factors through which assessment will be done to adopt the banking that is based upon the Islamic principles adequately. The adoption suggested as the acceptance of any technology or any feature with its advantages and disadvantages while the Islamic banking is the terms illustrated as the banking operations are being conducted on the basis of Islamic teaching (Asdullah et al, 2016).

It is evident that there is a clear different between the banking that is based upon the Islamic principles from the traditional banking services that do not allow the interest in any form but it encourage the sharing of profit or loss in any form; donate the zakat; conduct business with the sources that are allowed according to the teaching of Islam. It is evident from the studies that Islamic banking influence is having low perception because it is the phenomena that management or the Islamic council of banking did not provide appropriate education about it which motivate people towards the Islamic banking (Obeid et al, 2016). The other variables that are considered as the independent construct for the study are as: Religion, Networking, Awareness and Reputation to assess the impact on the adoption of banking which is based upon Islamic principles.

2.2 Religion

Religion can be discussed as a feature of psychology that is associated with the emotion of the human being (Kirkpatrick, 2005). Religion is considered as the faith that motivates an individual to attach their live according to it practices and follow the spirituality accordingly. Religion play a highly critical part to accept banking system which is based upon the Islamic principles and do not considered the benefit of getting on their investment (Naqvi et al, 2017). Religion is a considerable factor for the people to adopt the banking which is based upon the Islamic principles because the profitability factor does not exist in this phenomenon. The study suggested that in UK; the investment that is being done towards the Islamic institutes is based upon the basis of religion of Islam (Nurdin, 2016). Other studies also have the similar findings that suggest in the adoption of Islamic banking system is evident due to the religion (Naqvi et al, 2017; Wakhid and Efrita, 2007).

In Ghana the study revealed that religion has no influence in the form of selection the bank however; the profitability factor is having high value to influence the individual in the selection of the bank (Jaffara and Musab, 2013). Those that are having Muslim background they are using the Islamic banking system in order to practice own faith and conduct own business according to the Islamic teachings adequately; still except the religion as a factor to adopt Islamic principles based banking there is a need to assess the performance of the bank, confidentiality; banking operations timing and others are highly important (Khattak and Rehman, 2010). There are different researchers that have conducted their studies in different Islamic countries revealed religion has not priority in selecting the Islamic banking system. In another study; the study included the sample of Islamic Believers and non-Islamic Believers were selected to get the responses and revealed that cost benefit, quality of services, easy access, social pressure are highly overcoming the religious factor itself (Riaz et al, 2017). It is suggested religions is the feature but has the secondary priority for the consumers to use the banking system which is based upon the Islamic principles (Mariadas, P. A., & Murthy, 2017).

2.3 Awareness

It is referred as the having knowledge about the particular interest regarding any feature or situation. In this study; awareness is about the information or knowledge towards the products or services along with the advertisement and financial teaching of Islam. Studies suggested that there is a high influence of awareness regarding the products or services on the individual preferences. In Australia; people was having interest towards the Islamic banking but they are not having any information or knowledge about their products or services which did not allow them to select the Islamic banking system adequately (Rammal and Zurbruegg, 2007). It is also argued that every individual that is

having some knowledge or information about the commercial or traditional banking system they are aware about the product or services to some extent but as far as the Islamic banking products or services are concern they are not having awareness what the products or services are being offered to them (Khattak and Rehman, 2010). Islamic banking history constitute upon three decades but still it is in a developing phase because the advertisement and marketing strategies are not appropriate that did not able to develop awareness about its products or services adequately (Bashir et al, 2011). Knowledge and intentions were used in the study and it revealed that it is having positive relations with each other (Wahyuni, 2010).

The study of Riaz et al, (2017) suggested 57.6% respondents are not having any concept regarding the products of the banking which is based upon the Islamic principles. Malaysian consumers are having information or regarding the Islamic financing but do not have the awareness about the products regarding the Islamic banking (Mbawuni and Nimako, 2017). Advertisement is considered the most important element for the individual to get aware about the products or services of Islamic banking system. The studies suggested that consumers are required to get advertisement in order to develop their conscious towards Islamic banking products (Jaffara and Musab, 2013; Riaz et al, 2017).

2.4 Networking

Networking is highly essential construct in analyzing the adoption of Islamic Banking. There is a need to expand the business by opening different branches that will increase the association or networking with the people of the society. There is a study conducted in the past and suggested that convenience is the most important element for the consumers in choosing the Islamic banking; people prefer to have a closer branch near to their house, working hours are flexible, and the location of the bank should be convenient (Khan et al, 2012). Those banks that are Islamic concept or conventional banking concept if they are having low branches then the people will not having much information about them and that will suggest they are having low networking system with the society people; therefore; banks that are operating under the Islamic influence are required to have more branches then people will be having networks with the bank and increase their confidence to use the services (Bashir et al, 2011).

2.5 Reputation

Reputation is also a part of the current study and previous studies suggested that it is having great importance while assessing the adaptation of banks that are based upon Islamic principles. The Islamic banks are failed to give the appropriate response to the concerns of the people that their basis of operations are based upon the Islamic teaching and there is no concept of interest (Riba) in their operations which is the distinctive feature in their business or services that will develop the reputation of these Islamic banks adequately (Bashir et al, 2011). Market reputation of the banks is the third element for the non-Muslims respondents (Nurdin, 2016). Therefore; business expansion through increased branches will develop the reputation among the people to use the services of the banks adequately (Riaz et al, 2017).

2.6 Research Hypotheses
H1: There is a significant impact of religion on adoption of Islamic banking in Ghana.
H2: There is a significant impact of awareness on adoption of Islamic banking in Ghana.
H3: There is a significant impact of networking on adoption of Islamic banking in Ghana.
H4: There is a significant impact of reputation on adoption of Islamic banking in Ghana.

3.0 METHODOLOGY

The study is quantitative due to the fact that the data collected through close ended questionnaire. The statistical analysis was done using SPSS to test the research hypotheses. The data was collected from 150 respondents. The criteria for selecting the respondents was that a respondent should be an Islamic banking consumer. The respondents were all Ghanai citizens. The questionnaire was developed on the basis of available literature. All questions were based on five-point Likert scale. Before collecting the full data from the 150 respondents a pilot study was conducted. For the purpose of pilot study, the data was collected from 30 consumers of Islamic banking. To test the reliability of the construct Cronbach's Alpha was tested. The threshold value for Cronbach's Alpha is 0.7 which was met by all constructs, hence there was no issue scale reliability of construct. For testing the hypotheses multiple regression analysis was performed by using SPSS software. SPSS software have been used by previous researchers (Mostafa & Eneizan, 2018; Eneizan et al, 2018). Before performing the multiple regression analysis. Pearson

correlation was applied to check whether the independent variables are correlated with dependent variable or not. The result of data analysis is shown in the upcoming section.

4.0 DATA ANALYSIS
4.1 Reliability of constructs

S.NO	Construct	Alpha Value
1	Religion	0.83
2	Awareness	0.84
3	Networking	0.84
4	Reputation	0.78
5	Adoption of Islamic banking	0.84

The reliability analysis was performed to test the scale reliability of the constructs. The above table of reliability analysis show that all the values of alpha are greater than 0.7 which shows that there is no issue of reliability in the data.

4.2 Correlation

Correlations

		ADOPTION	RELIGION	AWARENESS	NETWORKING	REPUTATION
ADOPTION	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	150				
RELIGION	Pearson Correlation	.926**	1			
	Sig. (2-tailed)	.000				
	N	150	150			
AWARENESS	Pearson Correlation	.769**	.691**	1		
	Sig. (2-tailed)	.000	.000			
	N	150	150	150		
NETWORKING	Pearson Correlation	.772**	.713**	.601**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	150	150	150	150	
REPUTATION	Pearson Correlation	.738**	.680**	.596**	.630**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	150	150	150	150	150

**. Correlation is significant at the 0.01 level (2-tailed).

The above table of correlation shows that how the constructs of the conceptual framework are correlated with each other. By looking at the values we can understand that all the independent variables are significantly correlated with the dependent variable. Hence it can be said that religion, awareness, networking and reputation are significantly correlated with adoption of Islamic banking in Ghana. This is the sign that we may find a significant impact of the factors discussed above on adoption of Islamic banking in Ghana.

Moreover, we can see the correlation values among the independent variables and it can be noticed that none of the correlation values for independent variables is high. If the correlation among the independent variable is 0.9 or above, then there is a high probability of multicollinearity in the independent variables which creates the problem in predicting the regression results. However, in the current model no issue of multicollinearity is found. The results of regression for the purpose of hypotheses testing are presented below.

4.3 Regression Analysis
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.954[a]	.911	.908	.294

a. Predictors: (Constant), REPUTATION, AWARENESS, NETWORKING, RELIGION

The above table of model summary shows that how much variance accounted for by the model in the dependent variables. By looking at the value we can see can the value of R-Square shows 0.911 which means that the variance in the dependent variables is 91% by the model. This value shows that this model is predicting at a high level.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	127.219	4	31.805	369.207	.000[b]
	Residual	12.491	145	.086		
	Total	139.710	149			

a. Dependent Variable: ADOPTION
b. Predictors: (Constant), REPUTATION, AWARENESS, NETWORKING, RELIGION

The above table of ANOVA shows the model fit. The p-value is 0.000 which is less than 0.05 showing that the model is fit. In other words, it shows the overall significance for the model.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.046	.113		-.406	.685
	RELIGION	.615	.043	.610	14.437	.000
	AWARENESS	.189	.036	.187	5.216	.000
	NETWORKING	.169	.042	.152	4.063	.000
	REPUTATION	.116	.036	.116	3.224	.002

a. Dependent Variable: ADOPTION

The above table shows the correlation coefficients for the independent variables. The relationship is shown in the above table. The independent variables religion, awareness, networking and reputation shows the t-value greater than 2 and p-value less than 0.05. which can be translated into the statistical significance of the hypothetical relationships of the conceptual framework. In other words, we can say that religion, awareness, networking and reputation significantly impact the adoption of Islamic banking in Ghana.

4.4 Discussion

The induction of Islamic Banking System was aroused around the world of Muslim that they are able to do their business as the Islamic teaching gives direction according to the Shariah rules and regulation (Khan et al, 2012). Islamic banking system was in place but it was not focused by the scholars or the preachers but in 1963 only bank was established on the Islamic principles with the name of MitGhamr Saving Bank in the Egypt; it was not a successful effort because they were not able to focus upon the management and marketing of the bank (Obeid et al, 2016). The purpose of the research is to examine or investigate those factors that are impacting upon adaptation of Islamic perspective of banking in regard with Ghana. Ghana is a Muslim country and they are in the rehabilitation phase in which infrastructure development, economic activities and revival of political stability is going on; so it will be effective to undertake the Islam's perspective banking in the state will be a different feature to undertake the provide effective platform to the people of Ghana to conduct their business according to the Islamic teaching adequately

(Ameen and Willis, 2015). The study includes different variables on the basis of the need and the preferences based upon the importance in the study.

There are different factors that influence to adopt the banking which is based upon Islamic principles which is going to be the independent factors through which assessment will be done to adopt the banking that is based upon the Islamic principles adequately. The adoption suggested as the acceptance of any technology or any feature with its advantages and disadvantages while the Islamic banking is the terms illustrated as the banking operations are being conducted on the basis of Islamic teaching (Asdullah et al, 2016).

Religion is considered as the faith that motivates an individual to attach their live according to it practices and follow the spirituality accordingly. Religion play a highly critical part to accept banking system which is based upon the Islamic principles and do not considered the benefit of getting on their investment (Naqvi et al, 2017). Religion is a considerable factor for the people to adopt the banking which is based upon the Islamic principles because the profitability factor does not exist in this phenomenon. While looking at the study findings we can say that the H1 of the study regarding the relationship of religion and adoption of Islamic banking is significant hence supported by the previous literature). It is suggested religions is the feature but has the secondary priority for the consumers to use the banking system which is based upon the Islamic principles (Mariadas, P. A., & Murthy, 2017).

As far as awareness is concerned it is about the information or knowledge towards the products or services along with the advertisement and financial teaching of Islam. Studies suggested that there is a high influence of awareness regarding the products or services on the individual preferences. In Australia; people was having interest towards the Islamic banking but they are not having any information or knowledge about their products or services which did not allow them to select the Islamic banking system adequately (Rammal and Zurbruegg, 2007). The study of Riaz et al, (2017) suggested 57.6% respondents are not having any concept regarding the products of the banking which is based upon the Islamic principles. Malaysian consumers are having information or regarding the Islamic financing but do not have the awareness about the products regarding the Islamic banking (Mbawuni and Nimako, 2017). Advertisement is considered the most important element for the individual to get aware about the products or services of Islamic banking system. The studies suggested that consumers are required to get advertisement in order to develop their conscious towards Islamic banking products (Jaffara and Musab, 2013; Riaz et al, 2017). In the present study awareness is significantly related to adoption of Islamic banking in Ghana hence supported by the previous literature.

There is a study conducted in the past and suggested that convenience is the most important element for the consumers in choosing the Islamic banking; people prefer to have a closer branch near to their house, working hours are flexible, and the location of the bank should be convenient (Khan et al, 2012). Those banks that are Islamic concept or conventional banking concept if they are having low branches then the people will not be having much information about them and that will suggest they are having low networking system with the society people; therefore; banks that are operating under the Islamic influence are required to have more branches then people will be having networks with the bank and increase their confidence to use the services (Bashir et al, 2011). Networking is found to be significantly related to adoption of Islamic banking in Ghana hence supporting the H3 of the study. The Islamic banks are failed to give the appropriate response to the concerns of the people that their basis of operations are based upon the Islamic teaching and there is no concept of interest (Riba) in their operations which is the distinctive feature in their business or services that will develop the reputation of these Islamic banks adequately (Bashir et al, 2011). Market reputation of the banks is the third element for the non-Muslims respondents (Nurdin, 2016). Therefore; business expansion through increased branches will develop the reputation among the people to use the services of the banks adequately (Riaz et al, 2017). However, the results and findings of the current study show that reputation is having a significant and positive impact on adoption of Islamic banking in Ghana. Hence H4 of the study is also found to be supported.

5.0 CONCLUSION

The study was conducted in the context of Ghanaian. The purpose was to examine the factor affecting Islamic banking in Ghana. For that purpose, four variables i.e. religion, awareness, networking and reputation were used to develop the conceptual framework. The results suggest the positive and significant impact of all four variables on adoption of Islamic banking in Ghana. The results were supported by the literature. It is suggested to the Islamic banks that for developing their customer base they should work on awareness, networking and reputation of Islamic banking service providers. As far as the religion is concerned it is an internal factor so it varies individual to individual.

5.1 Study Limitations and Future Research

This study is limited to the Ghanaian context. The number of the respondents is small due to the time limitation of the study however number of respondents should be increased in the future research. The adoption model includes four variables. However, there may be more variables which can affect the adoption of Islamic banking. Hence it is suggested for the future researchers to include more variables. Moreover, the mediating and moderating effects can also be employed to see the complex relationships of the variables and have in-depth understanding of the concept.

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