

# EXAMINE FACTORS THAT INFLUENCE A CUSTOMER'S INTENTION TO USE INTEREST-FREE BANKING PRODUCTS AND SERVICES OF COMMERCIAL BANKS IN ETHIOPIA (THE CASE OF JIGJIGA CITY)

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## **ABSTRACT**

*The world's banking business has recently undergone a fundamental change that affects both developing and wealthy nations: the introduction of interest-free banking systems. Analysis of the factors influencing customers' intention to use interest-free banking products and services from commercial banks in Ethiopia is the study's main goal (The case of Jigjiga city). To select 398 sample respondents from Ethiopian commercial banks, multistage stage sampling approaches were used. Both primary and secondary sources were used to gather the study's data.*

*Structured questionnaires and interviews were used to gather primary data. Data were used for descriptive analysis (frequency, percentile, mean, and standard deviation), as well as econometrics (correlation and multiple regressions). The outcomes of numerous regressions revealed that Subjective Norm, Perceived Behavioral, awareness and attitudes. The results of multiple regressions revealed that subjective norms and perceived behavioral control, and attitudes, had a substantial favorable impact on consumers' intention to use interest-free banking products and services, while awareness, had a negative impact on consumers' intention to use interest-free banking products and services in Ethiopian commercial banks.*

## **KEYWORDS**

*Jigjiga city, Interest free banking, decomposed theory of planned behavior, commercial banks in Ethiopia.*

## **1. INTRODUCTION**

The most recent and major development in the banking sector, both in developing and developed nations worldwide, is the introduction of Islamic banking systems and interest-free banks. The practice of modern Islamic finance originated in the 1970s as a replacement for the western-introduced conventional banking system, despite the fact that Islam has been a religion since the fifth century (Mumtaz Hussain, , 2015). An entity known as an Islamic Bank is one that gathers financial resources and invests them in an effort to realize predetermined, approved Islamic social and financial goals. An interest-free banking window is a business strategy used by conventional banks to provide Islamic banking services and products through their current branch network. In this case, some Islamic banking services or products are provided by a traditional banking system (Sanusi, 2011).

Interest-free banking can be considered as an alternative ethical source of finance that can be used by all, irrespective of their religious beliefs. Islamic banks can increase their share of financing infrastructure projects by transforming investment accounts that reflect risk-sharing

features (Ahmed H. , 2017). Interest-Free Banking is a basic institution and concept of Islamic banking. It is concerned with the fundamental professional and ethical standards that prohibit paying or receiving any kind of interest ( (Khan, 2013). Islamic banking is to provide an interest-free banking system that includes common values and norms and is religious (Usai, 2017).

Interest-free banking has expanded quickly over the past ten years and has now achieved systemic importance in a dozen different countries across numerous areas. Islamic finance is expected to keep growing as a result of economic expansion in nations with substantial and mostly untapped Muslim populations. It is also spurred by the cost savings that several oil-exporting nations have amassed and are looking to invest in financial products that comply with Shariah (Alfred, 2015).

Islamic banking is widely practiced and is thought to be one of the markets with the quickest growth rates, yet it is not without obstacles, challenges, and problems. Islamic banking faces significant challenges in carrying out Islamic law; there is a lack of an adequate interbank money market and a weak regulatory environment for interest-free banking (Zamil, 2014), In Ethiopia The National Bank of Ethiopia (NBE) was predicted to issue a directive that paves the way for the establishment of what was thought to be the first Islamic bank in Ethiopia in response to a strong popular demand.

Ethiopian residents were permitted to form a bank that only participated in interest-free banking under a circulated draft of the NBE directive, but that optimism was short-lived because the finalized regulation did not permit the foundation of a full-fledged Islamic financial institution. Only "existing commercial banks" now have access to the opportunity to establish an interest-free banking window thanks to the final directive. Due to the regulatory directive's requirement that interest-free banking be provided alongside conventional banking services, ZemZem bank, which was anticipated to enter the banking business as a full-fledged interest-free bank, was unable to begin operations. (Sefian, 2015) .

Currently, both conventional banks and fully fledged Islamic banks have started their branches in the country. In previous years, the National Bank of Ethiopia (NBE) issued a directive (Directive No SBB/51/2011) in October 2011 that allows commercial banks to offer IFB service alongside their conventional operations (NBE business proclamation no 592/2008; Article 22(2)). Starting from 2019 G.C, a new directive on interest-free banks No. 72 is coming into operation. The new directive allows interest-free banking services with full-fledged Islamic banks and at branch level. Based on these directives, conventional banks like Commercial Bank of Ethiopia, Dashen Bank, Awash bank, and Oromia international banks, Bunna International Bank, Islamic finance has reached systemic importance, mostly in countries with fixed exchange rate regimes and not fully developed financial markets (Team, 2014).

Greater awareness about the products and services offered by Islamic banks will cause others who have stayed away from this mode of banking to invest in it and enhance its continued growth (Abdullahi M. , 2016). Conversely, many new product providers are acutely aware of the need to provide consumers with as much information as possible about their product to make customers aware because new products require effective communication in a period of "innovation overload" (Masry, 2016) in which bank new products are continuously introduced. This misunderstanding and misinformation can discourage customers from using interest-free banking services. As a result, the IFB project will face difficulties due to a lack of knowledge about the goals, tenets, and benefits of Islamic banking (Sefian, 2015). Challenges to interest-free banking include the absence of sharia advisory boards, a lack of client awareness of interest-free banking, a lack of customer confidence, and the service's unavailability in all branches (Sisay, 2017).

### **1.1. Statement of the Problem**

The National Bank of Ethiopia now faces the issue of creating a thorough and open legislative framework to increase trust in this industry. Interest-free financing is here to stay, and the more we can do to improve what is already in place, develop what is already in place, and inspire confidence in the sector, the more we can offer financial services to individuals who were previously excluded. In the past, this was brought on by the nation's lack of growth and, as a result, the scarcity of financial institutions. Banks and other financial organizations that offered suitable lending products were simply nonexistent. (Gurdaina., 20115) Interest-Free Banking in Ethiopia: Prospects and Challenges, a recent research This finding indicates that among the anticipated legal framework challenges that obviously affect the practice of full-fledged interest-free banking in Ethiopia are the exclusivity of banking business activity, limitations on banks' investments, the tax system, the lack of a controlling mechanism, and not making reference to one of the Islamic financial standards to follow. Additionally, there is a negative perception of Islamic finance in Ethiopia that is primarily caused by these findings. (Bushera, 2020) .

Other study on challenges on interest free banking services in Commercial Bank of Ethiopia by (Mohammed, 2016) demonstrate how the nature of IFB products, non-provision of IFB products/services in all branches, the IFB being supplied in a Window model, lack of trust and confidence, and inadequate marketing and promotion have all hindered the use of present IFB products. Has examined the prospects, opportunities, and challenges of Islamic banking in Ethiopia, focusing on Jigjiga City. In his work, he discusses some of the potential obstacles, including: a lack of knowledge and comprehension of the nature and operation of Islamic banking; regulatory, supervisory, and institutional challenges; a lack of support and link institutions; and regulatory, supervisory, and institutional challenges. Lack of qualified human resources, erroneous association with a particular faith (people's disapproval of Islamic banking), a gap in research and development in Islamic studies, as well as international terrorism, but This research was done prior to the IFB's actual implementation in Ethiopia. (Olad, 2012).

In Ethiopia, most of the preview studies focused on the challenges and opportunities of interest-free banking, i.e. (Olad, 2012) Has studied the prospects, opportunities and challenges of Islamic banking in Ethiopia. Recently, a study (Abdulhade, 2020) Challenges and Opportunities of Islamic Bank Expansion in Ethiopia: The Case of Commercial Bank of Ethiopian (Hailu, 2015) Islamic banking's difficulties and potential for capital mobilization in Ethiopian commercial banks (Demissie, 2019).Performed analysis of the variables influencing Ethiopia's introduction of interest-free banking. In order to better understand the factors that affect customers' inclinations to use interest-free banking products and services from commercial banks in Ethiopia, this study is conducting research (the case of Jigjiga city). To close the current gap.

### **1.2. Objectives of the Study**

The main objective of this study is Examine Factors That Influence a Customer's Intention to Use Interest-Free Banking Products and Services of Commercial Banks in Ethiopia (The Case of Jigjiga City).More specifically the study seeks to achieve the following objectives.

1. To investigate factors those influence the attitude of the customers toward the intention to use interest-free banking products and services.
2. To examine the perceived behavioral control of use influences customer intention to use interest-free banking products and services.
3. To investigate the Subjective norm that influences the customers' intention to use interest-free banking products and services.

4. To determine the level of customers' awareness that influences the intention to use interest-free banking products and services.

## **2. LITERATURE REVIEW**

One of the financial industries' fastest-growing divisions is interest-free banking, which gives the financial sector new ways to reach out to consumer and corporate markets that haven't been well served in the past. The non-bank financial institutions sector is quite small when compared to its conventional counterparts, and Islamic banks dominate the Islamic financial industry, due to the fact that non-bank financial organizations provide the majority of the funding for infrastructure financing (Ahmed H. , 2017).

A banking system founded on the concepts of profit and loss sharing by all stakeholders is known as interest free banking. Islamic banking will be founded on Shirakah's widely acknowledged principles (partnership). In other words, the partnership in which holders, depositors, investors, and borrowers all participate will serve as the foundation for the entire banking system. By putting the Mudarabah external principle—where labor and capital collaborate as a partner for work—into action, this will be accomplished. Islamic banks employ a variety of techniques and methods of investment in their day-to-day operations, such as Mudarabah contracts, where a financier provides capital and the Mudarib (labor partner) contributes his technical expertise and skill, and the profit is divided between the partners in accordance with an agreed-upon percentage. (Mustapha, 2014).

### **2.1. Decomposed Theory of Planned Behavior**

Decomposed Theory of Planned Behavior (DTPB), attitudinal beliefs must be broken down in order to better understand the connections between belief structures and antecedents of intention. (Todd, 1995) .The deconstructed theory of planned behavior, which is an extension of the theory of planned behavior, was consequently created since it was believed that treating the three ideas as a single entity would obfuscate the genuine significance of each one.

As was already mentioned, the current study's model was adapted from the TRA model created by to (Ajzen etl., 1975). The model has been altered to better clearly illustrate the motivation for using IFB products. The model has already undergone modifications to better account for behavioral discoveries in the management, psychology, and marketing sectors (Ali M. R., 2015) In comparison to the pure Theory of Planned Behavior and Theory of Reasoned Action models; the Theory of Planned Behavior Decomposed Model provides better explanatory power. The expansion of the theory of planned behavior that resulted from this is known as the deconstructed theory of planned behavior.

According to (Fishbein, 1991)empirical data, attitudes toward various behaviors, subjective norms, and perceptions of behavioral control can all be used to predict intentions to perform those behaviors with high accuracy. These intentions and perceptions of behavioral control also explain a large portion of the variation in actual behavior. Subjective norms

The normative forces are referred to as the subjective norms. Actually, the morally motivated religious or societal standards that encourage people to adopt Islamic banking are the subjective norms. Numerous factors, including family, friends, peers, and business gatherings, have contributed to the strain. (Amin, 2011).

## 2.2. Customers Attitude

According to (Fishbein, 1991) an individual's attitude is the evaluative result of their pleasant or negative feelings when engaging in a particular behavior. People of the Islamic faith have a propensity to believe that interest-free banking is still available. However, Islamic organizations and tools have emerged in nations like South Africa, the United Kingdom, and the United States where Muslims make up a minority. (Al-Smadi, 2012).

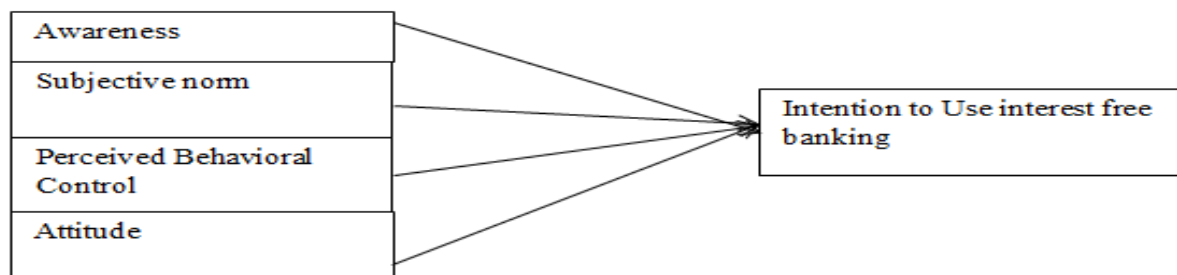
## 2.3. Awareness

If sufficient information is not collected to become sufficiently informed so that persuasion can take place, a novel thought does not transcend the knowledge function (Roger, 2003). Contrarily, many new product providers are acutely aware of the need to provide consumers with as much information as possible about their product to make customers aware because new products require effective communication in an era of "innovation overload" (Masry, 2016). in which bank new products are continuously introduced in which bank new products are continuously being introduced, many new products providers are extremely conscious of the need to provide consumers with as much information as possible about their product to make customers aware because new products require effective communication (Masry, 2016)

## 2.4. Perceived Behavioral Control

Perceived behavioral control refers to how people perceive their capacity to carry out a particular behavior or potential barriers to that performance (Fishbein, 1991). It gauges a person's level of behavioral control and his level of self-assurance over his ability to perform or not to perform.

## 2.5. Conceptual Frame Work Source: developed by researchers



## 2.6. Research Hypotheses

Hypotheses related to customer's intention to use interest-free financial products and services:

H1: Attitude has positive influence on the customer's intention to use interest-free banking products and services in commercial banks of Ethiopia

H2: Perceived behavioral control has a positive influence on the intention to use interest-free banking products and services in commercial banks of Ethiopia

H3: Subjective norm has a positive influence on the intention to use interest-free banking products and services in commercial banks of Ethiopia

H4: awareness has a positive influence on the intention to use interest-free banking products and services in commercial banks of Ethiopia

### 3. METHODOLOGY

#### 3.1. Description of the Study Area

Residents of Jigjiga City, which is mainly inhabited by Interest Free Banking Customers, made up the study community. Jigjiga, located in eastern Ethiopia and the region capital of Somalia, is 619.8 kms away from Addis Ababa.

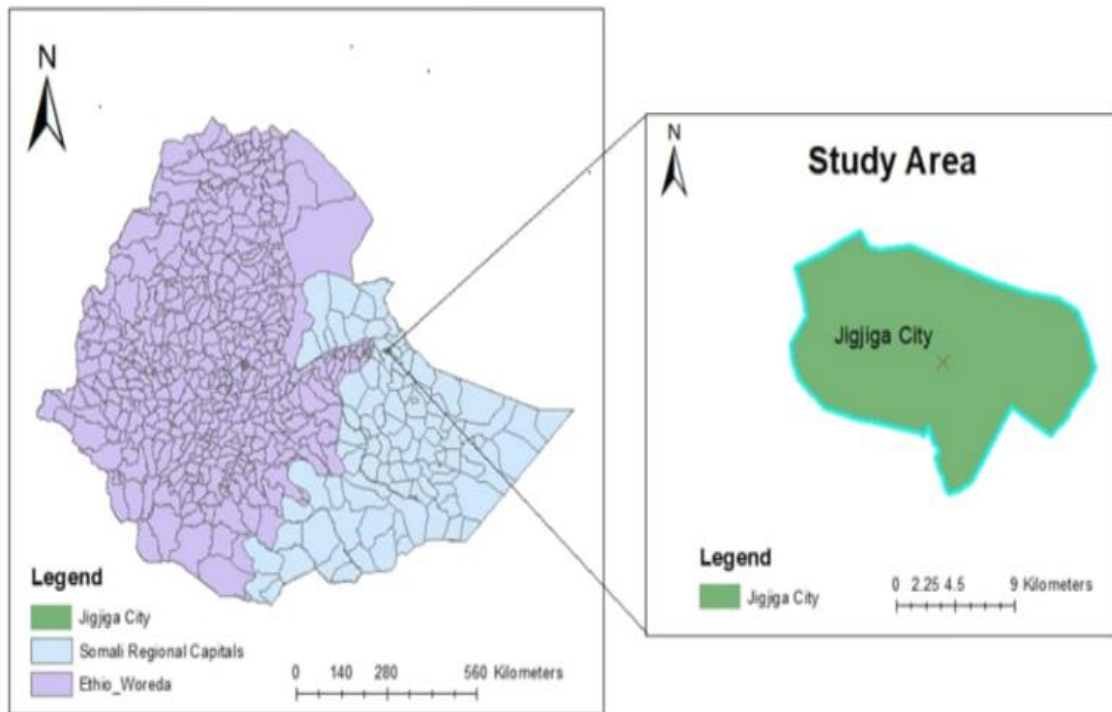


Figure Map of the study area

#### 3.2. Research Design

For this study, the researchers used both descriptive and explanatory research designs. The techniques used to gather and analyze the necessary data are known as research design. The goals a researcher wants to accomplish or the research questions they want to address will determine the study strategy they use (Creswell, 2007). According to (Kothar, 2004), descriptive research entails many types of fact-finding inquiries and surveys. The primary goal of descriptive research is to describe the current situation as it stands. In order to describe how the respondents felt about the factors that influence customers' intentions to use interest-free banking products and services from commercial banks in Ethiopia, this study employed a descriptive research method (the case of Jigjiga city).

#### 3.3. Research Approach

According to (Creswell, 2009) mixed approach research is a method of inquiry that integrates or associates both qualitative and quantitative forms, according to the definition. In order to collect data for this study, the researcher used a mixed method that included both interview and questioning approaches. As a result, the researcher employed a hybrid strategy. While

quantitative research creates statistics through the use of large-scale survey research, using methods like questionnaires, qualitative research uses techniques like interviews and focus groups.

### **3.4. Populations of the study**

The study population consists of clients of Jigjiga's four commercial banks three private and one public—all of which are situated in the city. These are the chosen commercial banks (Oromia International Bank, Commercial Bank of Ethiopia, United Bank, and Cooperative Bank of Oromia). The combined populations of the five banks are 75,350 customers, 12 managers, and a few selected employees.

### **3.5. Sampling Method and Sample size Determination**

#### **3.5.1. Sampling Method**

The researcher used employees, and customers of the banks. A simple random sampling selecting procedure applied to represent the population of banks. The researcher employed the purposive sampling technique. The main justification for choosing simple random sampling is that it accurately represents the population and gives each bank an equal chance of getting chosen.

To get a sample of responders, a multi-stage sampling process was used. Jigjiga City was purposefully chosen for the initial stage due to the greater number of Commercial banks. In the second phase, the city's commercial banks were purposefully chosen. In the third step, consumers from each branch's commercial banks were identified using proportional probability to size after we had been randomly chosen by simple random sampling. Convenience sampling was then employed to gather data from the sample respondents once sample sizes from each branch had been determined. As a non-probability sampling technique, convenience sampling selects a sample from the population that is easily accessible, nearby, or convenient. Thus, in the selected branches questionnaire was distributed to customers on a walk in basis i.e. questionnaire is given to a customer who just arrived to get the service until the expected number of sample from the selected branch was satisfied.

#### **3.5.2. Sample size Determination**

For this study, the sample size is determined based on (Yamane, 1967) formula equation for calculating sample size for known population with a 95% confidence level.

$$n = \frac{N}{1 + N(e)^2} = \frac{75,350}{1 + 75,350(0.05)^2} = \underline{398}$$

### **3.6. Source and Method of Data Collection**

#### **3.6.1. Source of Data**

There are essentially two types of information sources utilized for research: primary and secondary. Primary sources are those that call for a fresh survey to be taken in order to acquire data from customers and employees at various levels of inquiry. For this study, the researcher used primary sources in order to fulfill the study's goal.

#### **3.6.2. Primary data**

The primary data was gathered via an interest-free banking customer questionnaire and a manager interview. A questionnaire is a collection of thoughtfully crafted questions intended to elicit a trustworthy response. The primary data for the study was gathered from selected samples using a questionnaire, which consists of a number of questions printed or typed in a specific order on a form of closed-ended questions. The questionnaire was used to get the opinions of customers on the factors that influence their intent to use interest-free banking products and services from commercial banks in Ethiopia (the case of Jigjiga city).

#### **3.6.3. Method of Data collection**

Three sections made up this method of data collection: The first section focuses on obtaining specific demographic data about the respondents, the second section on gathering information via questions, and the third section on obtaining interviews. The fifth section looked at factors influencing customers' intentions to use interest-free banking services and products in Jigjiga City. The use of a questionnaire as a data gathering tool makes it simpler to code and analyze the data that has been gathered. Data from the main sources was gathered through interviews and questionnaires. One of the best tools for collecting data for survey research is the questionnaire, which has the advantage of requiring less time, effort, and money from the researcher.

Both English and Somali were used to compile the questionnaire that was given to the customer. The Likert scale was used to grade the questionnaire's closed-ended section. Likert scales are a widely common rating scale for evaluating ordinal data in social science research, according to (bhattacherjee, 2012). Likert scale items are straightforward statements on a five-point scale from "strongly disagree" to "strongly agree" on which respondents can express their levels of agreement or disagreement. As a result, the researcher used the Likert scale approach to collect the data. This method uses a five-point Likert scale to express the respondents' level of agreement or disagreement with a statement, with responses ranging from strongly disagree to strongly agree.

#### **3.6.4. The method of data analysis**

To achieve the first specific objectives, descriptive analysis would be used; primary data would be collected from IFB customers via structured questionnaires; structured interviews would be collected from managers' banks; and unstructured interviews would be collected from staff. Variable mean and demographic characterization of respondents and econometrics such as Pearson correlation analysis and multiple regression analysis were used to analyze the data. The qualitative data, which is an interview, was collected by taking written notes during the interview.



#### 4. RESULTS AND DISCUSSION

The descriptive analysis and SPSS V.25 were used to interpret the raw data. The factors influencing a customer’s intention to use interest-free banking products and services of commercial banks in Ethiopia (the case of Jigjiga city) Primary data was collected from the customers of the interest-free banks through distributing questionnaires to the managers and staff. Dependent variables, independent variables, and correlation analysis were used. Multiple linear regressions were also used.

##### 4.1. Pearson Correlation Analysis

Correlations are the measure of the linear relationship between two variables (Books, Chris, 2008). To find the association of the independent variables with dependent variable, Pearson product moment of correlation coefficient was used. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicates perfectly positive relationship between the variables being correlated and values closer to 0 indicates no linear relationship whereas value closer to -1 indicates perfectly negative relationship between the variables.

Table 1. Correlations matrix among intention to use and its predictors

C o r r e l a t i o n s						
		I T U	A T T	A W S	P B C	S N
I T U	Pearson	1	.534**	-.319**	.714**	.870**
	Sig. (2-tailed)		0	0	0	0
	N	398	398	398	398	398
A T T	Pearson	.534**	1	-.281**	.315**	.312**
	Sig. (2-tailed)	0		0	0	0
	N	398	398	398	398	398
A W S	Pearson	-.319**	-.281**	1	0.067	-.220**
	Sig. (2-tailed)	0	0		0.179	0
	N	398	398	398	398	398
P B C	Pearson	.714**	.315**	0.067	1	.691**
	Sig. (2-tailed)	0	0	0.179		0
	N	398	398	398	398	398
S N	Pearson	.870**	.312**	-.220**	.691**	1
	Sig. (2-tailed)	0	0	0	0	
	N	398	398	398	398	398

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

As shown in the above correlation matrix table 4.16, the correlation coefficient value shows that the customers' attitude, perceived behavioral control, and subjective norm had a positive correlation with the intention to use ( $r = 0.534^{**}$ ), ( $r = 0.714^{**}$ ), and ( $r = 0.870^{**}$ ) respectively. From the above correlation matrix, the relationship of all of the predictors with the intention to use the customer's subjective norm correlates best with the outcome ( $r = .870^{**}$ ) and so it is likely that this variable will best predict intention to use.

#### 4.2. Multiple Linear Regression Analysis

A regression model was used to determine how the independent variables affected the dependent variable. The proportion of the variance of the dependent variable about its mean that is explained by the independent variables is measured by the coefficient of determination  $R^2$  (Hair R. A., 1998). All of the variables have both a tolerance test and a variance inflation factor (VIF) for the predictive variables shown in the table (MLR) (Kleinbaum, 2002). All of the predictors' VIFs are below 10 and none of the tolerance levels are greater than or equal to 0.1, demonstrating the success of these analyses. This indicates that it doesn't have a multicollinearity issue for this study.

Table 2. Model Summary independent variables on Intention to use

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.928a	0.862	0.861	0.965
a. Predictors: (Constant), SN, AWS, ATT, PBC				

Table 3. ANOVA independent variables on Intention to use.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2283.661	4	570.915	613.319	.000b
	Residual	365.829	393	0.931		
	Total	2649.49	397			

a. Dependent Variable: ITU  
 b. Predictors: (Constant), SN, AWS, ATT, PBC

The model is statistically significant at a 5% level of significance according to the information in the table above (F value = 613.319, p-value = 0.000 0.05). The R-squared values of 0.862 in the example above demonstrate how much of the variation in the dependent variable can be attributed to explanatory factors. According to the table's R-square values, the independent variables account for 86.2% of the variation in the dependent variable, while the remaining 13.8% is determined by unknown causes.

Table 4. shows the findings from a regression model comparing consumer usage intention and its predictor

Coefficients <sup>a</sup>		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
Model		B	Std. Error	B e t a	T	S i g .	Tolerance	V I F
1	(Constant)	2.903	0.564		5.15	.000		
	A T T	0.23	0.02	0.234	11.3	.000	0.809	1.236
	A W S	-0.121	0.019	-0.135	-6.37	.000	0.786	1.272
	P B C	0.301	0.037	0.228	8.14	.000	0.446	2.241
	S N	0.657	0.03	0.61	21.8	.000	0.451	2.217

In view of this, it was determined that the table's Beta values and p-values represent the effects of each element on customer intention to use the aforementioned table shows that attitude, subjective Norms, and perceived behavioral control all have a significant impact on a customer's intention to use interest-free banking goods and services. The findings demonstrate that attitude (=0.267 T value = 13.059, p-value =.000 0.05), subjective norm (=0.783 T value = 24.461, p-value =.000 0.05), and perceived behavioral control (=0.217 T value = 5.986, p-value =.000 0.05) all predict the intention to use interest-free banking products and services.

### 4.3. Summary of Hypothesis Testing

As a result, it was found that the beta values and pvalues in the table represent the interactions between the variables. Results of the study, where tvalues are used to determine the significance and beta values are used to represent the coefficients of regression, As was expected, higher tvalues are found for regression coefficients with higher values. The rule (George, 2003), specifies that p-values less than 0.05 and t-values greater than two ( $T > 2$ ) are significant and are used to select which hypotheses to test.

Table 5 Summary of hypotheses testing

Factors	Mean	Std.	Beta.	T-Values	S i g .	Decision on Hypothesis
I T U	23.51	2.583		5.148	.000	
A T T	20.61	2.639	0.234	11.25	.000	Failed to reject H1
A W S	9.18	2.879	-0.135	-6.368	.000	reject H2
P B C	16.21	1.959	0.228	8.142	.000	Failed to reject H3
S N	18.42	2.398	0.61	21.846	.000	Failed to reject H4

Summary of hypotheses testing in this study Linear Regression was used to test the research hypotheses. The shows the summarized results of the hypotheses tested. The customer Intention to Use variables' average value was 23.51, which shows that respondents intend to use IFB products in the future. I am interested in using IFB goods and will give using interest-free banking services considerable consideration. Due to the country's high potential demand and the community's persistent requests for it, interest-free banking will be utilized in the future.

The customer's intention to use interest free banking goods and services is significantly influenced by Attitude at (=0.234 T value = 11.250, p value =.000<0.05).). This supports the conclusions of (Azouzi, 2014), (Aziz, Empirical Investigation of Customers' Perception and Adoption Towards Islamic Banking Services in Morocco, 2012) (Hassanuddeen Abd. Aziz ab A. E., 2015). At a 5% significance level, it was discovered that attitude had a substantial impact on customers' intentions to use interest free banking goods and services. As a result, the alternative hypothesis

is rejected and the null hypothesis is accepted. The results show that customers' favorable perceptions of interest-free banking encouraged them to use Attitude has a favorable impact on one's intention to use interest-free banking products and services, which is important. The average of the Attitude variables was 20.61, indicating that interest-free banking is the norm. It is beneficial to use Interest Free Banking services, I think its introduction was a wonderful concept, and I think using IFB goods will enhance my financial situation and my ability to solve business problems. The outcome demonstrates that customers' positive attitudes regarding interest-free banking encouraged them to use it.

The intention to use interest-free banking products and services is significantly influenced by customers awareness (beta =-.135 T value =-6.368, p-value =.000 < 0.05). Thus, the alternative hypothesis is accepted and the null hypothesis is rejected, in line with the findings of (Hassan A. S., 2016). Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected. The average of the customer awareness variables was 9.18, which shows that the bank's interest-free banking products don't meet current customer service demands, are hard to distinguish from conventional offerings, aren't well-known to customers, and don't convince them that IFBs are available to both Muslims and non-Muslims.

The sole type of IFB products available is Murabaha financing, which is fairly straightforward and low-risk since it merely involves buying and selling goods to customers at a predetermined profit margin. Additionally, alternative financing options the legal system of the country does not support the collaboration that is required by Ike Musharaka between the bank and the consumer. The country's legal system does not support Istisna, which concentrates on funding building, while Ijarah takes interest into account.

Perceived behavioral control has a positive influence on the intention to use interest-free banking products and services significant at ( $\beta=0.228$  T value = 8.142, p-value =.000 < 0.05). This finding is consistent with findings of (Kaabachi, 2016), (Hassan Abdu, 2015). The factors of Perceived Behavioral Control had a mean in terms of knowledge of 16.21. I would have the option to continue utilizing interest-free banking services if I so desired. While these services are better, overall, government assistance for their expansion is less beneficial.

Subjective norm has a positive influence on the intention to use interest-free banking products and services significant at Norm ( $\beta=0.775$  T value = 29.644, p-value =.000 < 0.05). Hence, null hypothesis accepted and alternative hypothesis rejected. This finding is consistent with findings of this result is supported by, (Azouzi, 2014) (Amin, 2011). Subjective norm was discovered to have positive relationship with intention to use Islamic banking products and services among customers. The mean of the variable of Subjective Norm was 18.42, which indicators have as the respondents such as the influence of their family, close friend, and most important people. Their response shows that Subjective norm has a positive influence towards using Interest-free banking products and services.

## **5. DISCUSSION**

This study used cross-sectional data from a commercial bank in Jigjiga city to examine the factors that affect customers' intentions to use interest-free banking products and services in commercial banks in Ethiopia. 398 observations were collected using sampling strategies, both probability- and non-probability-based, in a multistage sampling process. The first step was to deliberately choose Jigjiga City.

The second step was to deliberately choose commercial banks in Jigjiga city. Third, a simple random sample process was used to choose a random consumer from each of four commercial

banks. Secondary and primary sources of information were used to gather the study's data. Various documents were examined to gather secondary data, which was combined with primary data using a structured questionnaire. Descriptive and econometric analyses were used to properly examine the data and information gathered. Internal consistency measures like Cronbach's alpha reliability and model fit should be considered prior to hypothesis testing. As predicted, the explanatory variable identified factors that affect customers' intentions to use interest-free banking goods and services offered by commercial banks in Jigjiga, Ethiopia. The bank has very little activity in creating customer knowledge of the various interest-free banking products and services available to Muslims and non-Muslims, as well as how Islamic banking can be used by both groups. Customers also have limited faith in the bank and little interest in its offerings.

## 6. CONCLUSIONS

There is low awareness creation activity in the bank about the types of interest-free banking products and services and understanding of Islamic banking that are available for Muslims and non-Muslims. The bank is trusted by its customers poorly, and its products and services are less attractive to customers. Media influence is less to attract the customers due to lack of segregating the IFB business from the conventional business. The majority of the respondents perceive that the service of the IFB is similar to the conventional banking system, and having this perception by customers would adversely affect the growth of the business by repealing potential customers from the banks.

Customers of banks have positive attitudes regarding using interestfree banking products and services, which is well influenced by societal limitations. Customers' intents to use interest-free banking products and services from commercial banks are significantly positively influenced by attitude, subjective norm, and perceived behavioral control, according to research. The coefficient of multiple linear regression model determination of R-square values was estimated to be 0.848, indicating that the model's independent variables account for 84.8 percent of the variation in the dependent variable. The inclination to utilize interest-free banking products and services is positively influenced by perceived behavioral, attitude control, and subjective norms.

If it includes all banks in Ethiopia, this study might be exhaustive and all-inclusive in gathering data and providing a thorough understanding of the intention to use interest-free banking products and services. However, an effort was made to limit the extent and dimension of the study with regard to: - The topical scope -breadth and depth, - The time available, the financial resources, and the facilities, in order to make the study more manageable.

Moreover, future research will be enlarging the scope of the study to erase the negative perception of Interest free banking products and services. Furthermore, future research should consider replicating this study in other institutions, business unit, cultures, city, regions and other variables. The present study used interest free banking products and services account holders" only to examine toward intention to use Interest free banking products and services so; the future should consider other account holders.

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