Factors affecting customers' attitude towards Islamic banking in UAE

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Abstract

Purpose – The purpose of this paper is to investigate the effects of the following factors: image, awareness, Shariah compliance and individualism, on the attitude and intention of customers to use Islamic banking among Bank customers in UAE, and the mediating role of attitude in that model, using a theoretical model based on the multi-attribute attitude model, the theory of reasoned actions and the theory of planned behaviour.

Design/methodology/approach – The research will focus on surveying bank customers living in UAE. The researcher will use structural equation modelling to analyse the data.

Findings – Results show that attitude and awareness affect intention directly, while image, awareness, Shariah compliance and individualism affect attitude directly and intention indirectly mediated by attitude.

Research limitations/implications – The sample size includes 178 bank customers living in three cities in UAE, hence, the rest of the country is not included.

Practical implications – The research shows the importance of Shariah compliance, individualism and image on attitude and intention and provides suggestions for banks to benefit from these aspects to widen their customer base.

Social implications – The study provides an insight into individuals' decision making and the importance of a social approach by banks when advertising.

Originality/value – The research is the first empirical attempt to test new factors affecting attitude towards Islamic banking in UAE.

Keywords United Arab Emirates, Structural equation modelling, Attitude, Islamic finance, Patronage factors

Paper type Research paper

1. Introduction

Islamic banking started to appear in the United Arab Emirates among privately owned banks with the establishment of Dubai Islamic Bank in 1975, which was the first ever private Islamic bank. Since then, the UAE economy has had a mixed banking system with Islamic and conventional banks working side by side. Following the expansion of banking sector in Gulf Cooperation Council countries (Al-muharrami and Murthy, 2017), many conventional banks in the UAE opened Islamic windows (an Islamic Department in a conventional bank that offers Islamic banking products and services). UAE has 23 banks including eight Islamic banks. By the end of Q1-2017, the total number of assets for all banks working in the UAE reached AED 2,648.3bn out of which AED 520bn is Islamic (19.6 per cent) (Central Bank of the UAE, 2015). This growth provides an indication that Islamic banking has and will continue to have an important role in the economy of this country. However, without understanding customer preferences and attitude, Islamic banks

will not be able to focus on future growth and the way to steer it in order to improve their efficiency and profitability. Based on this, the aim of this study is to test the factors affecting customer attitude and preference. The fact that UAE is the oldest mixed Banking economy makes it a good environment to test the current intentions and attitudes of customers towards Islamic banking. After more than 40 years of Islamic banking services, the market has developed a mature overview towards these banks.

UAE as a cultural and ethnic mix is unique. The official religion of the UAE is Islam, with 76 per cent of the population following it, taking into consideration that 80 per cent of the population are non-citizens. All of the UAE citizens are Muslims, and the majority of the residents are also Muslims; they descend from South and Southeast Asia, the Middle East, Europe, Central Asia, the Commonwealth and North America. While Muslims make up 76 per cent of the population, Christians account for 9 per cent and others like Hindus and Sikhs constitute 15 per cent of the UAE population. The UAE's judicial system is derived from both Islamic Jurisprudence and civil law. Moreover, the court system is similarly derived partially from Islamic Jurisprudence, and the UAE's civil and criminal courts use parts of Sharia law that are embedded in their criminal and family law (US Department of State, 2016). The average GDP per capita in UAE in 2016 was $67,871 as per the International Monetary Fund[1], placing it among the top 10 countries worldwide, ranking higher than Switzerland and the USA.

While previous studies have explored customers' intention towards Islamic banking, few have mentioned attitude as one of the factors affecting intention and fewer have tried to understand the variables that influence the attitude of customers towards Islamic banking (Amin *et al.*, 2017; Md Taib *et al.*, 2008; Md Husin and Ab Rahman, 2016).

This study will examine the variables that affect the attitude of customers towards Islamic banking in UAE and its relation with attitude and intention, adopting a theoretical framework derived from the multi-attribute attitude model, the theory of planned behaviour and the theory of reasoned actions (TRA). The model here is modified to include only attitude plus a few variables affecting attitude.

The importance of this study comes from its focus on a specific market (the United Arab Emirates) with all its features mentioned above. The study is organised as follows: Section 2 covers the literature review; Section 3 discusses the theoretical framework and develops the hypotheses. Section 4 presents the sample and research methodology. In Section 5, the results are presented, Section 6 provides information about hypotheses testing, Section 7 includes a discussion and conclusion, and Section 8 includes implications.

2. Literature review

Islamic law, or Islamic jurisprudence in commercial transactions, emphasises the prohibition of usury and uncertainty. It focuses on achieving social and economic justice by balancing the personal and social needs with the moralities of that society. As per Al-Ghazzali (1937), the aim of Islamic laws in the economy is justice distribution. Commercial transactions have to be free of exploitation, inequalities and monopoly. The concept of financing in Islam differs from conventional practice, where money generates money by the factor of time using interest. In Islam, money cannot generate money unless it is used in a commercial transaction where an underlying commodity is used. The Quran prohibits any financial activities that include interest.

Islamic banking is a religiously approved interest-free alternative to the current conventional banking, positioning itself as an owner of wider ethical and proper matters other than just the prohibited interest transactions.

The main two reasons to establish Islamic banking as per Khir *et al.* (2008) are: first, to fulfil the personal need to grow wealth; and second, to channel financial resources to eligible transactions to facilitate the movement of funds in a Shariah compliant methodology.

Similar to other banks, Islamic banks' main aim is to make profit, but while respecting the jurisprudence of Islam.

In UAE, few studies have been conducted about the relationship between customers and banks, Jamal and Naser (2002) conducted a study about customer satisfaction with banks in UAE, and found that service quality is a main factor to achieve satisfaction. Also, Al-Tamimi *et al.* (2009) did a study about the views and loyalty of customers in UAE towards banks. They found that most customers in UAE prefer banking with Islamic banks; and although they are not satisfied with the products or service quality, they have a positive image of their banks. Sayani (2015) conducted a study about consumer loyalty to banks in UAE; the study found that customers of Islamic banks are satisfied with the accessibility and Shariah factors, while the reputation factor was important when dealing with conventional banks. A previous study by Sayani and Miniaoui (2013) about the same subject found that religious preference was an important factor to distinguish Islamic from conventional banks. Jabnoun and Khalifa (2005) did a study on service quality factors in UAE banks. For customers of Islamic banks, personal skills and values were important to determine service quality, while image and values were important for determining service quality for customers of conventional banks.

Other studies in the literature discussed the patronage factors of Islamic banks and customer intention to deal with it. For instance, some studies (Erol and El-Bdour, 1989; Awan and Azhar, 2014) have highlighted the importance of bank image, mass advertising of the bank, the brand and the prestige of the bank as a main factor for its selection. While other studies (Aaminou and Aboulaich, 2017; Bizri, 2014; Lee and Ullah, 2011; Ltifi *et al.*, 2016) found Shariah compliance, or trust that the bank is following Shariah, a main factor to patronise it. Further studies (Haron *et al.*, 1994; Omer, 1992) have focused on the importance of knowledge of Islamic contract mechanisms as a factor to patronise them. Jinjiri Ringim (2014) found that the most important factor for Nigerian Muslims to patronise Islamic banks was perception. Rashid *et al.* (2009) found that religion, depositors' desire to maximise profitability, the convenience of the system, "service quality and consistency" and a better cost-benefit effect are the most important factors affecting customers' decision to choose an Islamic bank.

Few previous studies have focused on understanding the factors affecting the attitude of customers towards Islamic banking. They used the theory of planned behaviour and the TRA as their theoretical model. For instance, Amin *et al.* (2013) used the theory of planned behaviour to test the Islamic home financing adoption in Malaysia. The study is unique as it adds several functions to the original framework of the theory of planned behaviour; these factors were "simplicity" and "relative advantage". The study found that these two factors affected attitude, and identified attitude as a mediator between these factors and the intention to adopt Islamic home finance.

Later, Md Husin and Ab Rahman (2016) also used the theory of planned behaviour to understand the acceptance of Islamic insurance; the model was also modified to include further factors that affect attitude in the model. Awareness, knowledge and exposure were found to significantly influence attitude. Also, Sabirzyanov (2016) used the theory of planned behaviour to test the intention of customers towards Islamic finance; he also added awareness as a factor affecting attitude in the model, and the results showed an important effect of awareness on attitude.

Finally, Amin *et al.* (2017) used the theory of planned behaviour and the TRA to understand consumer attitude and preference in the Islamic home finance sector. They added three factors affecting attitude to the theoretical model, namely, service quality, product choice and Islamic debt policy; the paper proved that these factors affected attitude.

3. Theoretical framework and hypotheses development

3.1 Theoretical framework

The main theory this study is built on is the multi-attribute attitude model (Fishbein, 1963; Jahoda and Fishbein, 1968), which shows that what customers feel towards an object is due to two main factors: the customer belief on whether this object possesses certain merits and the customer evaluation of these merits (Schiffman and Kanuk, 2007). In addition to this theoretical model, the TRA and the theory of planned behaviour have been considered to highlight the relationship between attitude and intention. The intention of an individual is defined as the sum of work a person is willing to apply to reach a goal (Ajzen, 1991). The TRA presented by Fishbein and Ajzen (1975) shows that intention is a function of two determinants, his or her attitude towards the act and the subjective norms or the social influence. It identifies attitude as an important indicator of intention. TRA has been used in the literature of Islamic behavioural finance (Md Taib *et al.*, 2008; Amin, 2012; Sabirzyanov, 2016), by applying this theory into empirical Islamic finance studies, the results were found to be in line with the theory proving its validity.

The theory of planned behaviour is a development of the TRA, also developed by Fishbein and Ajzen (1975). This theory introduces perceived behaviour as a new indicator of intention in addition to the attitude and subjective norms. This theory was used in a few studies on Islamic banking and economics. Studies (Alam *et al.*, 2012; Amin *et al.*, 2014b) applied the theory successfully and extended the model to include further determinants like "religiosity" and "Islamicity of product". The usage of those three theories in one theoretical framework is important to provide factors affecting attitude, and indirectly affecting intention, this can help in understanding the direct and indirect effects of these factors on attitude and intention.

In this study, attitude is considered to be a function of awareness, the image of the bank, individualism and the Shariah compliance of the Islamic bank. These determinants were considered due to previous studies that indicated that the image of the bank is important in selecting Islamic banking (Erol and El-Bdour, 1989), and the criticism that the awareness of customers is low in general and affects the patronage of Islamic banks. Furthermore, criticism about the Shariah compliance of banks, shown in previous studies, may affect the patronage of Islamic banks; this will be discussed further in the next sections.

Individualism is a new factor to be tested among factors affecting the patronage of Islamic banking, but previous literature has showed its effect on attitude in behavioural finance studies. The multi-attribute attitude model has been modified in this study to adapt to the context of this study. The model of this study is presented in Figure 1 (a conceptual framework).

3.2 Hypothesis development

3.2.1 The image of the bank. Image is, from an organisation perspective, the chain of thoughts that comes to mind when an individual recalls the name of that organisation (Nguyen and Leblanc, 2001). According to Lee *et al.* (2011), image is the final result of a customer's notion, understanding, interaction and experiences related to a specific company.

Studies in Islamic finance related to behaviour and patronage factors found that the most important aspects in choosing a bank (Islamic or conventional) are the reputation of the bank and its prestige, highlighting the importance of image on customer attitude towards Islamic banks (Erol and El-Bdour, 1989). Furthermore, Awan and Azhar (2014) mentioned that one of the main factors in patronising Islamic banks is mass advertising. Ahmad and Haron (2002) in their study recommended more marketing for Islamic banking due to its importance in patronising Islamic banking. Arshad *et al.* (2016) found that for Islamic banks, satisfaction influences image which influences trust, and image influences the intention to
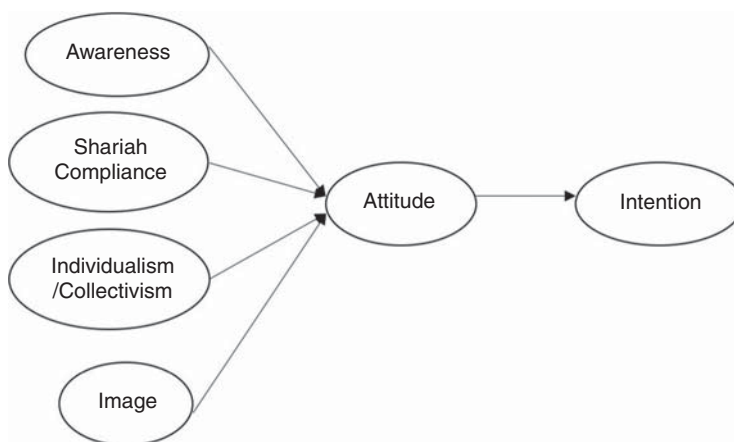
Figure 1.
A conceptual
framework

switch bank at a customer level. All these literatures suggest the importance of image on attitude towards Islamic banking. Reza Jalilvand *et al.* (2014) found in their paper that brand loyalty and awareness have an important effect on the attitude of customers towards Islamic banks. Hence, the first hypothesis in this study is:

   H1. Image of the bank has a positive direct influence on the attitude of customers towards Islamic banks.

3.2.2 Shariah compliance. Shariah compliance is the customer's perception that Islamic banking transactions are free from prohibited acts and procedures like Riba (interest) and Gharar (uncertainty), that is in line with the Islamic jurisprudence outlined in the Quran and the Sunnah (Ahmad *et al.*, 2008).

Previous studies on patronising Islamic banking mentioned Shariah compliance as an important factor affecting customers' attitude to patronise Islamic banks. Lee and Ullah (2011) found in their paper that customers have a high respect towards the Shariah compliance aspect to an extent that if Shariah is violated repeatedly in the chosen bank, customers tend to change their bank to a different Islamic bank. Also, Amin *et al.* (2014a) tested how customers accept the Islamic home finance and discovered that the islamicity of the product is one of the most important variables in determining the acceptance of this product in the Malaysian market. Amin *et al.* (2014b) found that religious satisfaction is one of the most important variables affecting customers' decision to choose Islamic home finance. Wajdi Dusuki and Irwani Abdullah (2007) mentioned that the level of bank compliance with Shariah principles is one of the important factors for customers to patronise Islamic banks in Malaysia. Also, Saqib *et al.* (2016) highlighted the moderating effect of Shariah compliance between service quality and customer satisfaction in Islamic banks.

Hence, the second hypothesis is:

   H2. Shariah compliance in banks has a direct effect on the attitude of customers towards Islamic banks.

3.2.3 Individualism/collectivism. As per Gladwin and Hofstede (1981), individualism is a belief backed by culture that the individual has to take primacy, while collectivism is the belief that community has primacy. Hofstede considers collectivism/individualism as a dimension of culture, and it can assist in understanding people's behaviour and their attitude (Hofstede, 2002).

Several studies have made links between individualism and attitude, such as Kashima *et al.* (1992). Volkema (1998) mentioned that there tends to be a better relation between a person's attitude and behaviour if he or she is an individualist rather than a collectivist. As collectivists have an inclination towards a moral attitude. Also, Pitlik and Rode (2017) in their paper identified two types of individualism relevant for attitude formation: self-direction ("social" individualism) and self-determination ("economic" individualism). Their paper provides a clear indication of the influence of individualism on attitude, especially the economic individualism aspect. The paper's results show that all individualistic qualities are correlated negatively with intervention attitudes.

A paper prepared by Anwar and Chaker (2003) in UAE, suggested that individualism or collectivism is a personal attribute irrespective of the individualistic or collectivistic society in which people live. Based on the previous literature which suggests that individualism can affect attitude, the third hypothesis is:

H3. Individualism has a direct effect on the attitude of customers towards Islamic banking.

3.2.4 Customers' awareness of Islamic banking contracts and mechanism. Many previous studies have highlighted the importance of awareness and knowledge about Islamic banking contracts and the decision-making mechanism for patronising Islamic banking. An important study was conducted by Sabirzyanov (2016), who used the theory of planned behaviour in understanding how customers feel about dealing with Islamic banking. His research confirmed that there is a significant influence of awareness on attitude. Furthermore, another important study conducted in UAE by Bley and Kuehn (2004) examined the level of knowledge Muslims had about Islamic banking contracts and mechanisms among students in the UAE. They found that Arabic Muslims showed a better level of understanding of the Islamic banking mechanism than non-Arabic Muslim students. And they mentioned that the overall level of education about Islamic banking is low. Other studies like Hamid and Nordin (2001) and Wahyuni (2012) found an influence of awareness about Islamic contracts and mechanisms on the decision to deal with Islamic banking. Md Husin and Ab Rahman (2016) mentioned that awareness and knowledge have influence on the decision to deal with Islamic insurance. Jamid Ul Islam and Zillur Rahman (2016) mentioned in their paper conducted in India that most consumers there are ignorant about Islamic finance contracts and mechanisms, but they showed willingness to learn in order to deal with Islamic banks. Hence, the fourth hypothesis is:

H4. Customers' level of awareness about Islamic banking concepts and mechanism has a direct effect on their attitude towards Islamic banks.

3.2.5 Attitude. Attitude is defined as the evaluative influence of feelings on persons when following a specific behaviour (Gopi and Ramayah, 2007). In the TRA, attitude is referred to as the evaluative effect of positive or negative feelings of individuals in performing a particular behaviour (Fishbein and Ajzen, 1975).

Many empirical studies on Islamic banking have focused on the relationship between the intention of patronising Islamic banking and customers' attitude, and how attitude affects this intention. Many studies on Islamic banking have found an influence of attitude on customers' intention to deal with Islamic banking (Amin, 2012; Amin *et al.*, 2013, 2014a; Sabirzyanov, 2016), hence the fifth hypothesis is:

H5. Attitude has a direct effect on customers' intention to deal with Islamic banking.

This study also considers the indirect effect of variables on the intention to deal with Islamic banking mediated by attitude. The mediating effect of attitude is important to study in this paper in order to provide a better interpretation and a new contribution to the field (Shi *et al.*, 2008).

Chen *et al.* (2004), Kleijnen *et al.* (2004) and Yasin *et al.* (2009) found that attitude is a good mediating variable, also Ismail *et al.* (2007) mentioned that attitude mediates the relation between intention and other variables. This study tries to extend this idea to the Islamic finance field and the model of this study, hence the last four hypotheses are:

H6. The effect of image on intention to deal with Islamic banks is mediated by customer attitude.

H7. The effect of awareness on intention to deal with Islamic banks is mediated by customer attitude.

H8. The effect of Shariah compliance on intention to deal with Islamic banks is mediated by customer attitude.

H9. The effect of individualism on intention to deal with Islamic banks is mediated by customer attitude.

4. Methodology

4.1 Data description and sample collection process and demographics

The data collection process employs the convenience sampling technique due to the restricted access to the actual number of bank customers in UAE. This method is the most used sampling technique in Islamic behavioural finance articles (Amin, 2012). The survey was of two parts. The first part consisted of 18 questions, focused on latent factors, and the second part consisted of 5 questions and focused on the demographic information of the respondents. The sample size of this study was 178. The individuals who answered this survey were customers of Islamic and conventional banks residing in the UAE (7 non-Muslims and 171 Muslims). The data collection happened from April to June 2017. Two different survey collectors were hired to collect this survey, one for each language; the survey was collected in Arabic and English.

The surveys were collected in three different cities in UAE (Dubai, Sharjah and Ajman). Survey collectors approached people asking them if they wanted to participate in a survey about Islamic banking, and they waited for the participants to finish the survey and then collected it back from them. In all, 221 surveys were collected, while only 178 surveys qualified after removing surveys completed by people who did not bank in the UAE, not completed surveys and visitors' surveys. This paper followed a rule suggested by Hair *et al.* (2008) that a sample size should be at least five times the number of items in the questionnaire. The variables were measured by a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The items in the survey were adopted and benchmarked to previous studies. The items representing attitude and intention towards Islamic finance were adapted from Gopi and Ramayah (2007) and Ramayah *et al.* (2009), and adjusted to suit the study. Items related to individualism/collectivism are adopted from Souren *et al.*, 2005), while the variables related to people's knowledge and awareness of Islamic products were benchmarked to Hamid and Nordin (2001). Image and Shariah compliance were benchmarked to Arshad *et al.* (2016) and Lee and Ullah (2011). Before starting, a pilot survey was distributed in three versions to test the responses, and each time changes were made based on the feedback. Details on the items used in the instrument are in Tables AI and AII.

The respondents' demographics were as follows: 99 respondents were males, while the rest of the 178 respondents were females (55.62 per cent males and 44.38 per cent females). In terms of nationality, 50.56 per cent of the respondents were from the UAE, 18.54 per cent from Syria, 5.62 per cent from Egypt, 6.18 per cent from Palestine, 3.93 per cent from India, 2.25 per cent from Iraq, 2.81 per cent from Jordan, 3.37 per cent from Pakistan and 6.74 per cent from other

nationalities like Germany and the USA. The high component of UAE nationals in the survey was important to reflect the main trend in the community, although expats make up 85 per cent of the population in UAE, the average stay of an expat in the UAE is around 8.7 years only (Al Awad, 2008), hence the paper chose to focus on UAE nationals.

Also, the respondents' ages varied to reflect the maximum diversity, with 17.42 per cent between 18 and 25 years old, 38.76 per cent between 25 and 35 years old, 35.96 per cent between 36 and 50 years old and 7.87 per cent between 51 and 65 years old. Their level of education was also varied, with 30.34 per cent below the level of an associate degree, 5.62 per cent held an associate degree, 51.12 per cent a bachelor's degree and 12.91 per cent an advanced degree from a university (Master's or PhD). Table I shows more details about demographic statistics.

4.2 Data analysis
The data collected went through several stages of analysis as per the process of structural equation modelling (SEM). In SEM, the factor analysis technique and the path analysis technique are combined to explain the type of interrelation between the latent variables, which will be determined by more than two items (Hair *et al.*, 2010; Whittaker, 2011). Also, SEM has the ability to measure the reliability and the validity of the data and the model created and the model fit (Hair *et al.*, 2010).

4.3 Measurement model assessments
The process started with factor analysis so the underlying relationship between variables can be identified. There are two steps to do this, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) (Hair *et al.*, 2010). EFA is a statistical mechanism used to understand the link between the variables and their loading into a single factor, while CFA

	Number
Nationality	
UAE	90
Egypt	10
Syria	33
Others	12
India	7
Palestine	11
Iraq	4
Jordan	5
Pakistan	6
Total	178
Age	
18–25	31
26–35	69
36–50	64
51–65	14
Total	178
Level of education	
Less than an associate degree	54
Associate degree	10
Bachelor's degree	91
Advanced degree (Master's or PhD)	23
Total	178

Table I.
Demographic statistics

is a method of analysis to test the underlying theory (Hair *et al.*, 2010). Hence, the study will run both factor analyses and provide the results and the reliability and validity of each tool. In EFA, the maximum likelihood method and varimax rotation method were used. Only factors that have a loading of > 0.6 were considered for further analysis (Nunnally, 1978), then the CFA was conducted and the reliability and validity of the model was registered. For validity testing in the CFA model, the approach of Hu and Bentler (1999) was used and the maximum likelihood estimation was adopted. The average variance extraction (AVE) was used to define convergent validity, and for the discriminant validity, the construct reliability (CR) test was used. $CR \geqslant 0.7$ and $AVE > 0.50$ were accepted in this study (Hu and Bentler, 1999). In the SEM stage, the inter-relations between the exogenous factors (image, individualism/collectivism, Shariah compliance and awareness) and the endogenous factors (attitude and intention) were tested using a one-way effect relationship. Using Amos 24, the relationship and the parameters were tested again.

4.4 Data screening: testing of SEM assumptions
Data screening was conducted and 42 surveys were eliminated due to achieving less than 95 per cent completion (Hair *et al.*, 2010), or they are non-customers of either Islamic or conventional banks which are beyond the scope of this study.

As per Kline (2015), an absolute value greater than 3 is considered skewed. In this study, there was no skewness value of more than absolute 1. Regarding kurtosis, the benchmark value is 10, as per Kline (2015), in this study; the highest registered kurtosis was 1.1, which makes the data adequate for testing.

4.5 Approaches to data analysis
The data analysis was done in two stages. The first stage considered the relationship between the underlying latent factors and the observed variables, the correlation between these factors and the error correlation (if required) using CFA. The second stage included the causal model between the endogenous and the exogenous factors using SEM. The assessment of the model fit was taken for the entire model instead of each construct. The assessment of reliability and validity was conducted in the CFA model. Post this stage, a test can be conducted to understand whether the data concurred with the theoretical model (Hair *et al.*, 2010).

5. Results
5.1 Factor loadings
SPSS Amos 24 was used to analyse the data. An explanatory factor analysis was conducted on the data and six factors were generated, all factors had a loading average of 0.7 and the Cronbach's α was calculated to measure validity at this point. Cronbach's α for each factor exceeded 0.7 (Hair *et al.*, 1998). This included all variables and no variable was excluded. Table II shows the details of factor loading and αs.

The factor loading showed six main factors with good loading. The factor loading generated the following factors:

(1) attitude towards Islamic banking (Att);

(2) intention to deal with Islamic banking (Int);

(3) the importance of the image of Islamic banks (Img);

(4) the conviction of customers that the Islamic banks are not Shariah compliant (Shr);

(5) the unawareness of customers about Islamic banking contracts and mechanisms (unawareness) (Awr); and

(6) the individualism of customers when taking the decision to deal with a bank (Ind).

Statements	Loading	α
Intention		0.916
int1	0.902	
int2	0.849	
int3	0.828	
Attitude		0.899
att1	0.789	
att2	0.861	
att3	0.692	
Image		0.866
img1	0.658	
img2	0.721	
img3	0.986	
Non-Shariah compliance		0.886
shr1	0.598	
shr2	0.746	
shr3	0.768	
Unawareness		0.83
Awr1	0.836	
Awr2	0.8	
Awr3	0.889	
Individualism		0.76
ind1	0.852	
ind2	0.715	
ind3	0.905	

Notes: Maximum likelihood analysis with Kaiser normalisation, varimax rotation, KMO = 0.755; Bartlett's test of sphericity = $\chi^2 = 1,892.216$ ($p = 0.000$)

Table II.
Factor analysis,
Cronbach's
α and KMO

To check the adequacy of the sample for factor analysis, the Kaiser–Mayer–Olkin (KMO) and Bartlett's sphericity tests were performed on the data. For KMO, the value has to be higher than 0.5 in order to be accepted for factor analysis and the pairs of variable correlations would be explainable by other variables. As for the Bartlett's sphericity test, the result should be significant in order to reject the null hypothesis that the variables are uncorrelated. In this research, the KMO was 0.755 which makes it adequate for the factor analysis. Furthermore, the Bartlett's sphericity test was significant ($\chi^2 = 1,892.216$, df = 154, $p < 0.01$), so the null hypothesis is rejected and the variables are correlated, Table II shows the details.

5.2 Confirmatory factor analysis
A CFA model was built with the six factors found in the previous test and variables were linked as per their loading, no variable loaded on more than one factor. As per the rule, RMSEA should be equal to or less than 0.07 and CFI is more than 0.92 (Hair *et al.*, 2010), and SRMR less than 0.09 when TLI is more than 0.95 (Hu and Bentler, 1999); these conditions have to be met to claim the goodness of fit. The model fitted with χ^2/df = 1.357, GFI = 0.909, NFI = 0.919, IFI = 0.977, TLI = 0.970, CFI = 0.977, RMSEA = 0.45, and the factor loadings ranged from 0.53 to 0.94 (Figure 2).

5.3 Tests of reliability, validity and common method bias
As per Hair *et al.* (2010), testing reliability and validity of the constructed model is done by calculating the CR, AVE and discriminant validity.
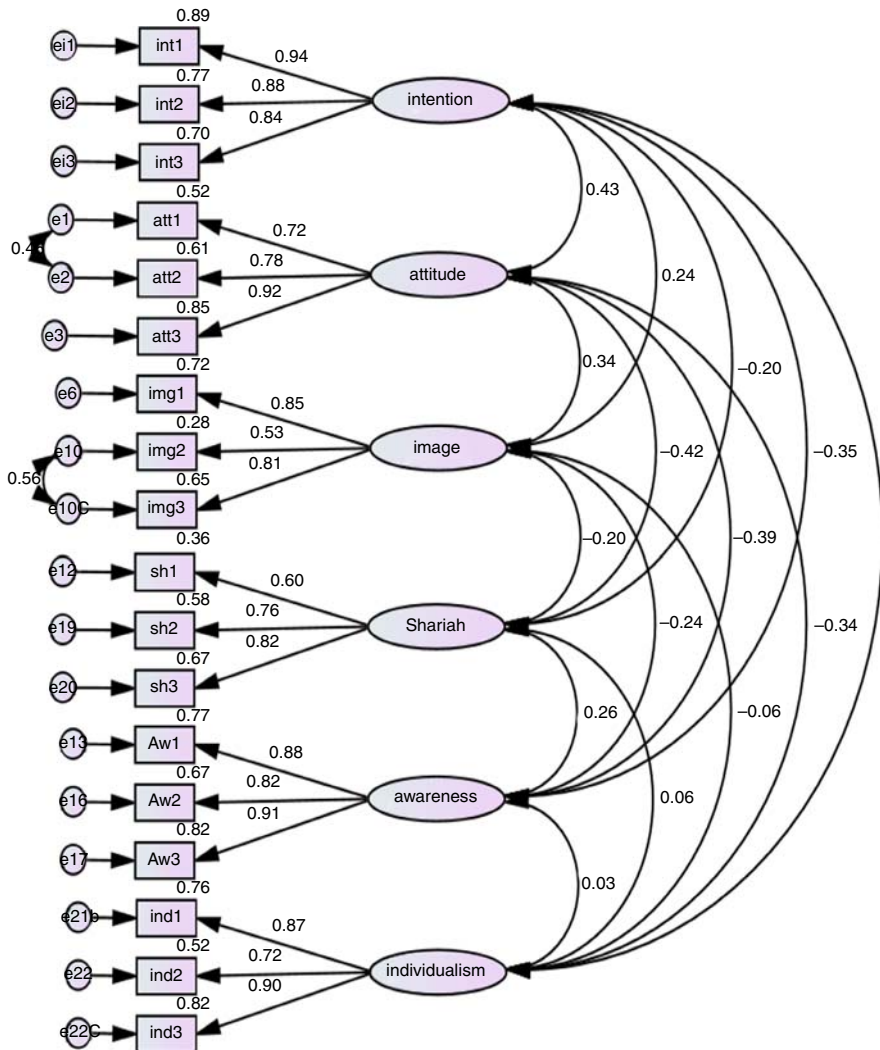
Figure 2.
Confirmatory factor
analysis model

The CR is calculated based on the factor loading (the squared sum) for every construct and the sum of errors of the same construct (Hair *et al.*, 2010). It should be more than 0.7 to represent a good reliability. While the AVE represents the sum of squared multiple correlation divided by the items (variables) in each construct (Hair *et al.*, 2010), it should be ≥0.5 to be considered valid. The discriminant validity was tested by comparing the correlation between the factors and the square root of AVE. The correlation should not exceed 0.85 (Kline, 2015; Yousafzai *et al.*, 2010). The square roots of AVE should exceed the values of the correlations (Hair *et al.*, 2010), and the maximum shared variance MSV is < AVE (Hu and Bentler, 1999).

Table III provides the CRs, AVEs, MSV and the square roots of AVE on the shaded diagonal. Table III shows that the model passed all reliability and validity tests and as the correlation is < 0.8, the model proved to be free of multicollinearity (Hair *et al.*, 2010).

Furthermore, the model was tested for common method bias by two methods: Harman's single factor test and the common latent factor method. For the Harman's single factor, the unified factor showed 18 per cent of data explanation, and as the threshold is 50 per cent, it was considered that the model is free of common method bias. Using the common latent factor, it did not show a significant difference between the standardized paths with the highest difference of 0.08 and an average difference of 0.01. Hence, the full model will be used and no imputation is required (Podsakoff *et al.*, 2003), and the sample does not suffer from common method bias.

5.4 Results for the structural model test: SEM

After confirming the reliability and validity of the model, the causal relationship between the factors was drawn using SEM. The model had the following variables as latent exogenous variables (awareness, non-Shariah compliance, image of the bank and individualism) and the following endogenous variables (attitude and intention).

The model included paths from awareness, non-Shariah compliance and non-originality, image of the bank and individuality to attitude, and paths from awareness and attitude to intention.

This is the original model representing the underlying theoretical model. The paths from non-Shariah compliance and non-originality, image of the bank and individuality to intention were added to the model to test the indirect effect of these variables on intention through attitude and whether the indirect effect is full or partial. The paths cover the hypotheses to understand the relationship and test these hypotheses.

The model included two small modification indices to increase the goodness of fit, two correlations between errors were added to the model, these error correlations made the model a better fit and they are made between two errors of items representing the same latent factor in consequent order.

5.5 Assessment of the structural model fit and uni-dimensionality

In Figure 3, based on the rule, RMSEA should be equal to or less than 0.07 and CFI is more than 0.92 (Hair *et al.*, 2010), and SRMR less than 0.09 when TLI is more than 0.95 (Hu and Bentler, 1999); these conditions have to be met to claim the goodness of fit.

As per the results, the model was found to fit with χ^2/df = 1.357, GFI = 0.909, NFI = 0.919, IFI = 0.977, TLI = 0.970, CFI = 0.977, RMSEA = 0.45 and standard RMR = 0.0478.

5.6 Assessment of path coefficients

Once the model was finalised and fit, the path coefficients were tested. Table IV provides information about all the coefficients, the significance and the critical ratio. The results demonstrate the significant positive effect of attitude on intention (0.317) (p-value < 0.05), while awareness has a negative significant direct effect on intention (-0.202)

	CR	AVE	MSV	MaxR (H)	Intention	Attitude	Image	Shariah	Awareness	Individualism
Intention	0.916	0.785	0.182	0.931	*0.886*					
Attitude	0.854	0.664	0.182	0.895	0.426	*0.815*				
Image	0.780	0.551	0.116	0.828	0.239	0.341	*0.742*			
Shariah	0.774	0.538	0.173	0.800	−0.200	−0.415	−0.200	*0.733*		
Awareness	0.901	0.752	0.156	0.908	−0.347	−0.395	−0.241	0.259	*0.867*	
Individualism	0.872	0.697	0.117	0.896	−0.126	−0.343	−0.064	0.061	0.032	*0.835*

Table III.
Reliability and
validity measurements

Figure 3.
The proposed
structural model
with estimated
standardised path
coefficients
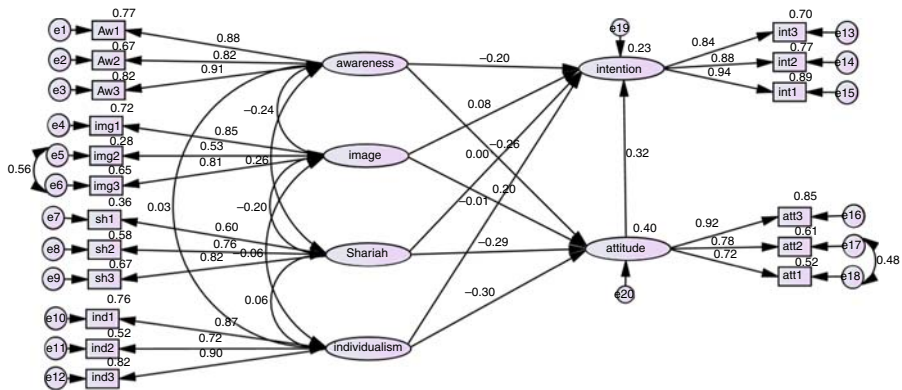
Destination		Origin	Standardized	SE	CR
Attitude	←	Awareness	−0.262***	0.064	−3.461
Attitude	←	Image	0.200***	0.116	2.560
Attitude	←	Shariah	−0.289***	0.084	−3.519
Attitude	←	Individualism	−0.304***	0.071	−4.226
Intention	←	Awareness	−0.202*	0.063	−2.394
Intention	←	Attitude	0.317***	0.096	2.946
Intention	←	Image	0.082	0.112	0.967
Intention	←	Shariah	0.001	0.082	0.009
Intention	←	Individualism	−0.005	0.071	−0.066

Note: *,***Significant at the 0.05 and 0.01 levels, respectively

Table IV.
Path coefficients

(p-value < 0.05), while other factors did not have any direct effect on intention. This will be discussed further regarding the indirect effect later.

Also, Table IV shows that image (0.200) (p-value < 0.05) has a positive significant effect on attitude, while non-Shariah compliance (−0.289) (p-value < 0.01), awareness (−0.262) (p-value < 0.01) and individualism (−0.304) (p-value < 0.01) have negative significant direct effects on attitude.

5.7 Indirect effect analysis

Four factors (image, awareness, individualism and non-Shariah compliance) were tested to understand their indirect effect on intention mediated by attitude; this is consistent with the theoretical model of this study. As mentioned above, only awareness has a direct effect on intention and will be tested for partial indirect effect, while image, individualism and non-Shariah compliance did not have any direct effect on intention and hence they will be tested for full indirect effect. As per Cohen (1988), the standardized path coefficient of values less than 0.1 shows a small indirect effect, while values of 0.30 show a medium effect and values equal to or above 0.5 show a major effect. Table V provides the indirect effects and the significance of each of them. All tested factors (image, awareness, individualism and non-Shariah compliance) have significant but low effects < 0.1. Individualism and non-Shariah compliance have significant negative full indirect effects mediated by attitude, while awareness has a negative significant partial indirect effect on intention mediated by attitude. Image has a positive significant full indirect effect on

intention mediated by attitude. The model is consistent with the theory, except for awareness which has an effect directly and indirectly on intention.

Furthermore, the squared multiple correlation (R^2) was extracted for each endogenous variable. As per Cohen (1988), R^2 indicates the size of the predicted variable for each endogenous variable. Values of 0.01, 0.09 and 0.25 represent small, medium and large prediction, respectively (Cohen, 1988). In this study, the R^2 of attitude is 0.396 and 0.226 for intention, indicating large predictions of these variables.

6. Hypotheses testing

Table VI provides information about hypotheses testing and the βs and whether the hypothesis is supported or not.

The results showed that all the hypotheses are supported. The results also showed that two factors, namely attitude and unawareness, have significant direct effects on the intention of customers to deal with Islamic banking.

Unawareness has a negative significant effect on intention, this is in line with several previous studies showing that the lack of awareness about Islamic banking mechanisms and concepts affects negatively the intention to deal with it (Hamid and Nordin, 2001; Wahyuni, 2012; Sabirzyanov, 2016). The hypothesis in this study was that there is an indirect effect of awareness on intention, which we will discuss later in this section.

Also, attitude has a positive significant effect on intention, this is in line with the theoretical model and provides robustness for the TPB and TRA, and comes in line with the results of several previous studies showing that attitude is a main factor to determine the intention of customers to deal with Islamic banking (Amin *et al.*, 2013, 2014b). Hence, *H5* is supported.

The results also showed that there are four factors that affect customers' attitude directly. The strongest factor affecting attitude was the individualism of customers when choosing a bank. This factor affected the attitude negatively and it might be due to the fact that UAE society

Destination		Origin	Stand. direct effect	Stand. indirect effect (through attitude)	Result
Intention	←	Individualism	−0.005	−0.096***	Full indirect effect
Intention	←	Awareness	−0.202*	−0.083***	Partial indirect effect
Intention	←	Shariah	0.001	−0.092***	Full indirect effect
Intention	←	Image	0.082	0.064*	Full indirect effect

Note: *,***Significant at the 0.05 and 0.01 levels, respectively

Table V.
Testing indirect effects

Hypothesis	Pathway	β	Supported
H1	IMG → ATT	0.200***	Yes
H2	SHR → ATT	−0.289***	Yes
H3	IND → ATT	−0.304***	Yes
H4	AWR → ATT	−0.262***	Yes
H5	ATT → INT	0.317***	Yes
H6	IMG → ATT → INT	0.064*	Yes
H7	AWR → ATT → INT	−0.083***	Yes
H8	SHR → ATT → INT	−0.092***	Yes
H9	IND → ATT → INT	−0.096***	Yes

Note: *,***Significance at the 0.05 and 0.01 levels, respectively

Table VI.
Results of hypotheses testing

is a collectivist society as per Hofstede's cultural dimensions[2], and religious by nature (AlMazrouei *et al.*, 2016), making it an individualistic decision to steer away from Islamic banking and go to conventional banking as the society promotes dealing with Islamic banks.

The other factors affecting attitude negatively are unawareness about Islamic banking mechanisms and contracts and the belief that they are not Shariah compliant. These two factors are correlated, and this is in line with the studies of Ahmad and Haron (2002) and Awan and Azhar (2014). This suggests that customers have formed an opinion that these banks are not Shariah compliant with the minimum level of knowledge they hold about them, which affects their attitude about Islamic banks.

Image was the important factor positively affecting the attitude towards Islamic banks. This is in line with the findings of Arshad *et al.* (2016), Ismail *et al.* (2007) and Yasin *et al.* (2009), and seems logical if individualism is considered when making a selection decision. Image and prestige correlate positively with attitude towards Islamic banking. Furthermore, the results showed that the same factors affecting attitude affect intention with the same sign, even though the effect of these factors (non-Shariah compliant, individualism and image) is less on intention than on attitude. The fact that these factors affect intention mediated by attitude throws light on the importance of these factors for Islamic banks.

The results of this study also confirm that attitude is a reliable mediator. This finding is consistent with Ismail *et al.* (2007) and Yasin *et al.* (2009) that prove the importance of attitude as a mediating factor in consumer research. This proves that the effect of image, Shariah compliance, individualism and partially awareness can be mediated by customer attitude, or customer attitude can serve as a benchmark to measure customers' intention to deal with Islamic banking.

With regard to the fitness of the model, R^2 reached 0.5712, which can be considered to be high and R^2 of attitude is 0.396 and for intention is 0.226, indicating large predictions of these variables. Attitude and awareness predict 22.6 per cent of the total variation in intention, while awareness, individuality, image and non-Shariah compliance predict 39.6 per cent of the variation in attitude.

7. Conclusion
The study provides the factors affecting attitude towards Islamic banks, and the importance of these factors in affecting the intention to deal with Islamic banks. The study shows the negative effect of non-Shariah compliance, individualistic customers and unaware customers on attitude, and highlights the positive effect of the bank's image on attitude. The study also showed the direct effect of awareness and attitude on intention to deal with Islamic banks.

The study contributes to the literature in several areas. First, the study contributes to the behavioural study of Islamic finance by adding the factors affecting intention mediated by attitude (image, Shariah compliance, individualism and awareness). Second, the study enhances the understanding of customers' attitude by including several factors affecting attitude. Third, the study provides a proof of the importance of attitude as a mediator between several factors and the intention to deal with Islamic banks.

8. Implications and limitations
Several implications are suggested by the results. First, Islamic banks should work on their Shariah compliance reputation, as the study suggests that customers do not believe that these banks are Shariah compliant, and they believe that these banks are copying conventional practices. Islamic banks should work on authentic Shariah compliant products, which can help in restoring the trust of customers. Also, Islamic banks should work on the education aspect as a selling point; the study showed that people are not educated about the mechanisms, and this affects their attitude and intention to deal with Islamic banks. Lack of awareness might also be a reason for customers to believe that Islamic banks are not Shariah compliant.

Increasing awareness might increase the understanding of customers that these products are fully compliant with the Shariah; furthermore, increasing awareness should focus on the role of the Shariah board and his role in the Bank. Stressing on simple and known Islamic products by the marketing department and the Shariah board can help to eliminate the believe that these banks are not following Shariah. The new complicated Islamic contracts might be a reason for customers to drive away from Islamic banking. Also, the study approaches a new factor that affects attitude negatively which is individualism. The study shows that even though the UAE is a high collectivism society, the more individualistic the customer, the more he/she will be unwilling to deal with Islamic banks. This suggests that Islamic banks should focus on the community rather than the individual, whereas the fact that the image of the bank is positively affecting the attitude of customers towards Islamic banks suggests that banks are focusing on individuals rather than the society in their marketing approach. Suggesting that Islamic banks work towards a community approach may increase business by affecting the attitude of customers. As papers published from the MENA region account for less than 1 per cent of the total papers published, even though the population of this region account for 6 per cent of world population (Balakrishnan, 2013), this paper is trying to shed a light on a specific market in the MENA region (UAE).

Finally, the study contributes to the theoretical literature in extending the multi-attribute attitude model. The study comes as a proof to the importance of the model and the ability to extend it for future research in behavioural finance.

The study suffers from several limitations. First, the study has used a sample size of 178 participants and has been conducted in three cities, thus the rest of the country has been overlooked. The results of this study will affect all customers in UAE, so future research might return to this aspect. Furthermore, the R^2 of attitude in this study is 39.6 per cent for attitude and 22.6 per cent for intention, suggesting that there are many other factors affecting attitude and intention that can be included in future studies. The sample consists of 171 Muslims and 7 non-Muslims, as per the Islamic banking index[3], non-Muslims who hold an Islamic current account are 14 per cent, and they hold it along with a conventional current account. But as this study focused on UAE nationals (50 per cent of the sample) and UAE national are 100 per cent Muslims, the number of non-Muslims compared to the rest of the sample (88 participants) in this study is 9 per cent, a little lower than 14 per cent; this can be covered in future studies focusing on all components of the community.

Notes

1. www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

2. www.hofstede-insights.com

3. www.emiratesislamic.ae/eng/assets/files/EI_White_Paper_English.pdf

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Appendix

int1	My general intention to choose Islamic banking is very high
int2	I will think about choosing Islamic banking services
int3	I will choose Islamic banking services in the future
att1	I feel that choosing Islamic banking is a wise idea
att2	I feel that choosing Islamic banking is a good idea
att3	I like to choose Islamic banking
img1	I prefer dealing with a big Islamic bank rather than a small one
img2	The logo and design of the Islamic bank are very important to me
img3	There should be mass marketing of the Islamic bank in order for me to deal with it
shr1	I believe the Islamic finance concept is a scam because it uses Sharia to make more money
shr2	Islamic banks are copying conventional banks and they do not have genuine products
shr3	I believe there is no difference between Islamic banks and conventional banks, only in name
Awr1	I totally understand the Islamic finance mechanisms and contracts (Murabaha, Ijarah, Musharakah) (recoded)
Awr2	I need to understand the Islamic finance contracts and the way they work before I deal with them
Awr3	I do not need to understand the Islamic finance system (recoded)
ind1	I will choose the bank myself and will not be affected by anyone else
ind2	Most probably I will deal with the Islamic bank which one of my family members or friends recommends (recoded)
ind3	When choosing a bank, my community's opinion is important to me

Table AI.
Survey items

Statistics	int1	int2	int3	att1	att2	att3	img1	img2	img3	sh1	sh2	sh3	Aw1	Aw2	Aw3	ind1	ind2	ind3
n	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Skewness	−0.086	0.056	−0.009	−0.092	0.134	−0.285	−0.359	−0.412	−0.39	0.096	−0.077	0.001	0.142	0.348	0.205	0.446	0.323	0.323
SE of Skewness	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182
Kurtosis	−1.018	−1.189	−0.755	−0.992	−1.014	−0.498	−0.966	−0.917	−0.947	−1.316	−0.737	−0.92	−1.012	−0.792	−1.14	−0.44	−0.802	−0.8
SE of Kurtosis	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362

Table AII.
Skewness and
kurtoses