

Analyzing the acceptance of Islamic personal financing using extended TRA model: Evidence from Khyber Pakhtunkhwa, Pakistan

Sana Ullah Khan

Ikram Ullah Khan

Muhammad Haroon Khan

University of Science and Technology, Bannu, Pakistan

Safeer Ullah Khan

University of Science and Technology, Beijing, China

Abstract

Islamic personal financing (IPF) is an emerging phenomenon though less investigated area in Islamic finance. IPF, which the Islamic banks offer according to the needs of their customers, has been overlooked especially using a comprehensive model(s) in most of the developing Islamic countries. This study closes the gap and examines the factors (i.e., attitude, government support, social influence, pricing, and awareness) that determine the acceptance of Islamic personal financing in Khyber Pakhtunkhwa (KP) province, Pakistan. Relying on the survey, the study used a sample of Islamic banks' customers who were studying or doing a job in higher education institutions. The data were collected through a survey by distributing 600 questionnaires out of which 360 valid responses were used for further analysis. For analyzing the data, the Smart-PLS was used with structural equation modeling to get results of the hypothesized relationships. Results of the present study reveal that social influence, attitude, government support, and awareness have positive and significant effects while pricing has a negative but significant impact on the acceptance of IPF. The findings of this study can be used as a tool for making better policies and right practices of Islamic banks thereby enhancing the IPF in Pakistan.

Keywords: Islamic personal financing, TRA, government support, awareness, Pakistan.

With the emergence of Islamic banking, numerous Islamic banking products were introduced. Among them, the Islamic personal financing (IPF) is prominent as most of the individual customers need the IPF for their operational needs. IPF is a key Islamic banking product that gives financial help to their clients for buying the goods which they need. According to Dubai Islamic bank Pakistan, Islamic personal financing refers to the "facility based on the Islamic Finance concept of *"Musawama"*. That kind of financing facility that can be used for financial needs such as Marriage, Education, Medical expenditure, settlements of credit card loans, settlements of conventional loans or meeting any other emergency needs in "Halal/Islamic" way (<https://www.dibpak.com>, 2018). This product offering an opportunity to get interest-free loans as per the Islamic jurisprudence (Shariah). The Shariah-compliant products are provided by Islamic financial organizations in the areas of consumer banking, trade finance, general banking, investment banking and corporate banking (Ali & Chin-Hong, 2015). The IPF is highly significant for Muslim consumers as it provides not only the required financing for their daily needs but also gives internal religious satisfaction. In this regard, the Islamic banks play a pivotal role in introducing and developing the facility that can boost their banking.

The pioneering work on IPF was conducted by (Amin, Rahman, Jr, & Hwa, 2011) in Malaysia where they explained that the full-fledged Islamic banks in Malaysia are determined to provide the IPF to their customers. The acceptance of such loans was theoretically covered by one of the behavioral models i.e., Theory of reason action which is more suitable to probe users' behavioral aspects of accepting any product. The TRA model, originated from social psychology and introduced by (Fishbein & Ajzen, 1977) specifies how individuals' inner-intentions shape its outer behavior, thus linking attitude with the actual usage of any product/system. Another study worked on IPF by modifying the TRA model and used a sample taken from Karachi, Pakistan to catch the determinants of IPF (Ali & Chin-Hong, 2015), but these studies were limited and therefore

recommended further research to highlight more inclusive factors that could add to the IPF both theoretically and practically.

The existing literature pays lesser focus to investigate Islamic banking, especially in Pakistan. Recently some studies worked on various Islamic products using different contexts, for example, Ahmed, Vveinhardt, Streimikiene, and Pilinkiene (2019) investigated the determinants of Islamic Hire Purchase through using the theory of planned behavior (TPB). They concluded that the TPB constructs positively influence the hire purchase intentions of Islamic bank customers. Similarly, examining the diminishing home financing, Shaikh, Noordin, and Alsharief (2018) found that attitude, social influence, and awareness have a positive impact on the acceptance of diminishing home financing in Karachi. They further urged research studies to investigate more Islamic products that could help Islamic banks in developing their products in every corner of Pakistan and other Islamic countries. Another study in the context of Malaysia searched the Islamic banking services and found that the TPB constructs are significantly contributing to persuade the customers to opt for Islamic bank services (Pitchay, Thaker, Azhar, Mydin, & Thaker, 2019). In Libya, Islamic banking products were investigated using the modified TPB (Albashir, Zainuddin, Panigrahi, & Issues, 2018). They found that there is a huge market for Islamic banking products but the customers are lacking awareness. All these studies used different products, different contextual bases and importantly they used the theoretical framework of TPB.

This research tries to overcome the research gap in the literature by discovering more contributing factors of IPF to gain insights into the awareness and availability of this product. Besides customers' interests and needs, there is faith-based reluctance to get loans from conventional banks through the interest mechanism. These concerns give rise to the need for Shariah-compliant options which ultimately trigger Islamic banking products and therefore it becomes one of the attractive research areas for research scholars and practitioners (Khan & Bhatti, 2008; Naqvi, 2002). Taking the suggestion (Ahmed et al., 2019; Ali & Chin-Hong, 2015; Pitchay et al., 2019) that more factors could be ascertained to get new evidence and know the dynamics of IPF acceptance, the current study extends the previous models with awareness which gives a uniqueness to the model.

The study helps contribute to the existing body of research by using the theoretical framework of the theory of reasoned actions (TRA). The TPB, an extension of the TRA model, is considered difficult in conceptualizing and capturing individuals' attitudes/intentions (Ajzen, 1991), therefore, this study uses the framework of TRA which is more suitable in measuring behaviors and inclinations towards IPF. The TRA model employs the premises that users are quite logical and take reasoned decision while engaging in adoption of any product/service and hence the model has been recently used by different studies (Ali, Yaacob, & Salman, 2019; Bananuka, Kaawaase, Kasera, & Nalukenge, 2019; Kaakeh, Hassan, & Van Hemmen Almazor, 2019; Maryam, Mehmood, Khaliq, Finance, & Management, 2019). Using the TRA model in Islamic banking will open new vistas for future research to use the TRA and other behavioral models (like the theory of planned behavior, motivational models, technology acceptance model, unified theory of acceptance and use of technology, etc.) in the context of different Islamic banking/products. The study focuses on Islamic personal finance and the authors believe that once the IPF comes into the limelight will further spark new research on this very important consumer product.

Moreover, this study will help fill the vacuum of insufficient studies on Islamic personal finance in developing Islamic countries. This fact was also noted by Albashir et al. (2018) that majority of the past studies were conducted in the developed countries and they suggested investigating Islamic banking products in developing countries, like Pakistan. The rationale for selecting Pakistan as a context is its strong Islamic banking network having five full-fledged Islamic banks, spreading into 2913 branches across the country, with a phenomenal annual growth rate of 8.5 percent (SBP Islamic Banking Bulletin, April-June 2019). Now, in such a huge share of Islamic banking, with Muslims as a major populace, it is quite important and timely to understand customers' preferences for selecting Islamic personal financing. To meet this end, this work contributes to the practice of Islamic banking and other financial/regulatory bodies to look into the IPF and other Islamic banking products through the modeled variables.

Literature Review

There is no dearth of literature on the Islamic banking sector explaining different factors affecting the acceptance of Islamic products. According to Khir, Gupta, and Shanmugam (2008), the basic objectives which are associated with Islamic financing are two-fold: One is to make flow of the wealth from the rich to the poor and second one is the fulfillment of human needs in the society. Islamic financial institutions are playing their role where they accept money from their clients and give this money to others who are in need of it. No one is allowed to make money as a

loan without genuine needs in Islam that is any borrowing should be made keeping in view the genuine needs to reduce one's financial hardships (Hoque, Nik Hashim, & Azmi, 2018; Riaz, Khan, & Khan, 2017).

According to Thaker, Amin, Thaker, and Pitchay (2019), Islamic banks should support their clients who are facing financial difficulties and this will resultantly make their customers loyal. As per Billah (2019), the clients of Islamic banks would be treated more fairly in comparison to conventional banks. In some specific cases and conditions, the debtors are given Zakat and their debts are converted to charity. Two main principles govern the personal financing in Islamic Shariah; these principles are "Bay-al-inah" and "Qard-ul-Hasana" Islamic banks usually using Qard-ul-Hasana rules. According to Khir et al. (2008), the IPF is considered a beneficial loan or benevolent fund for a given time period without taking the notice of getting extra profit.

The different facets of Islamic financial and banking products were highlighted in some of the recent studies. For example, Islamic hire purchase (Ahmed et al., 2019), home diminishing financing (Shaikh et al., 2018), Islamic banking products in Libya (Albashir et al., 2018), Islamic banking products in Bahrain (Buchari, Rafiki, Al Qassab, & Finance, 2015), and Islamic banking services were investigated in Malaysia (Pitchay et al., 2019), but the existing literature overlooked the motives of Islamic personal financing in developing countries like Pakistan. This study is an attempt to cover the gap by empirically investigating the persuading factors that affect customers' preferences for IPF.

Development of Hypotheses using Theory of Reasoned Actions

The theory of reasoned actions (TRA) was originated by Fishbein and Ajzen (1977) to clarify the relationships among intention and attitudes, beliefs, behaviors (Fauziah et al., 2008). It has been used in various relevant circumstances and cases. For example, Fauziah et al. (2008) used Similarly, Amin et al., (2011) followed this theory to check the acceptance of Islamic accounting taking a sample from undergraduate students. The current research takes it further to the context of IPF, in an Islamic country, Pakistan. The studies in the past showed that the acceptance of Islamic personal finance can be explored by using the predictors set by TRA (Amin, Rahman, & Ramayah, 2009; Fauziah et al., 2008). Therefore, factors like social influence, attitude, pricing, government support, and awareness are employed to predict the acceptance of Islamic personal finance.

Attitude

When the influence of negative or positive feelings of individual are analyzed in exhibiting special behavior is called attitude (Fishbein & Ajzen, 1977). Many studies are available regarding attitude and behavior. Fauziah et al. (2008) concluded a significant association of students' attitude and home financing. In the online trading system, the attitude was found as; a major predictor (Gopi & Ramayah, 2007). Customers' attitude was investigated and declared as an important indicator for selecting Islamic banking products and can be translated to better Islamic banking performance (Hoque et al., 2018). Another recent study reported that attitude is a significant mediator in the adoption of Islamic banking (Bananuka et al., 2019). The attitude was testified by Kaakeh, Hassan, van Hemmen Almazor, Finance, and Management (2018) to be a highly significant factor in the adoption of Islamic banking products/services. Keeping in mind the prior literature, the authors believe that the customers' attitude will make a recommendation and inclination to adopt IPF in Pakistan. Thus, the hypothesis is proposed;

H1: Attitude has a positive influence on the acceptance of IPF.

Social Influence

This study uses social influence as a normative or subjective norm and can be explained as that someone who is significant, influences the user to exhibit the behavior in question i.e., acceptance of IPF (Fishbein & Ajzen, 1977). According to Fauziah et al. (2008), the level of acceptance of diminishing partnership can be associated with the subjective norms, and thus the social influence was more affective predictor than attitude to the Islamic personal financing, although the results are not the same by different scholars. According to Obeid and Kaabachi (2016) there is no relationship between social influence and acceptance of Islamic banking service in Tunisia, while a positive association between social influence and adoption of Islamic banking products was found by Lajuni et al. (2017) and Shaikh et al. (2018). So, in light of the above opinions, this study assumes that the IPF adoption in Pakistan banks upon the social influence, thus suggesting the hypothesis is as under.

H2: Social influence has a positive influence on the acceptance of IPF.

Government Support

Government support refers to the policies and steps taken by the government that affects the householders and business organizations at national levels to avail the personal financing for Islamic banks. Islamic products and services are tremendously influenced by the support of government (Amin, Muhammad, Lada, Amran, & Hamid, 2006; Lajuni et al., 2017). However, Imam, Kpodar, and Trade (2013) found less evidence of government support in the promotion of Islamic banking products in the Gulf region. Recently, Zin, Noordin, Rahman, and Faisal (2019) found that the development of Islamic banking products is highly dependent on the supportive role of government in light of Shariah law. The authors believe that government policies might have an impact on the selection of IPF. Islamic banks' sustainability and promotion of their products are heavily dependent upon government support in the current stiff market competition. Thus, the hypothesis is proposed;

H3: Government support positively influences customers' acceptance of IPF.

Pricing

In the earlier research on Islamic banking, it was found that it is not only the religion but also the pricing of products that affect the acceptance choice of Islamic products (Dusuki & Abdullah, 2007; Rosly, 1999). Pricing of IPF refers to the act of setting a suitable price of the financing products and bringing equilibrium in the interest of Islamic banks and their clients (Ariff & Rosly, 2011). The profit and loss sharing (PLS) is usually used by Islamic banks to get remuneration for financial transaction services (Olson & Zoubi, 2008). There is no concept of interest in Islamic banks and the notion of PLS is followed by the Islamic banks. If the payments are delayed, then the bank can charge markup which is allowed. Similarly, under the Islamic model of banking, the trade commission is also allowed. The perceived financial cost was reported as a very potent predictor of Islamic banking acceptance (Amin, Abdul-Rahman, & Abdul-Razak, 2013). According to Abdullah, Dusuki, and Management (2006), the hire purchase business of Islamic banks was costlier than the other conventional banks. According to Amin et al. (2011), the low monthly payment(s) after transparency was another motive for clients to do business with Islamic banks. Since in "Musawama" mode of financing the price is set as a bargain between the seller/provider and the user irrespective of the price paid by the former. So, our study, using the context of Pakistan, considers 'pricing' as one of the vital factors for the acceptance to use IPF, and thus the hypothesis is put forth.

H4: Pricing of Islamic financing has a negative influence on the acceptance of IPF.

Awareness

Awareness refers to an increase in the knowledge of bank customers through proper marketing and promotional campaigns. When Islamic finance was introduced for the first time then many Muslims took its advantage while availing its services. The tremendous growth of Islamic finance misled the remaining population in thinking that Islamic banks will maintain this high growth, but the actual results were not like the expectations as the growth of Islamic banking decreased over time due to stiff competition (Housby, 2013). To achieve the long term growth, it was needed to attract new customers who have not used Islamic banks before. Findings of past studies reveal that there are two main reasons behind this decrease in the Islamic finance growth, one is lack of awareness and second is poor/low knowledge about Islamic financing among clients (Haque, Osman, & Ismail, 2009; Rammal & Zurbruegg, 2016). It is also recommended that Islamic banks are losing the competition to conventional banks if they failed to make the populace aware of their products and then to transform their awareness into a willingness for buying Islamic products (Buchari et al., 2015; Latif & Finance, 2019). Similarly, Mahdzan, Zainudin, and Au (2017) concluded that the understating and awareness level of customers, if low, will weaken the promotion of Islamic banking. Thus, the awareness regarding the availability of Islamic personal finance is highly important and can be further strengthened by leading to the adoption intention of Islamic personal finance. A few studies tried to investigate this failure from the perspective of clients. With this background, we believe that;

H5: Awareness has a positive influence on customers' acceptance of IPF.

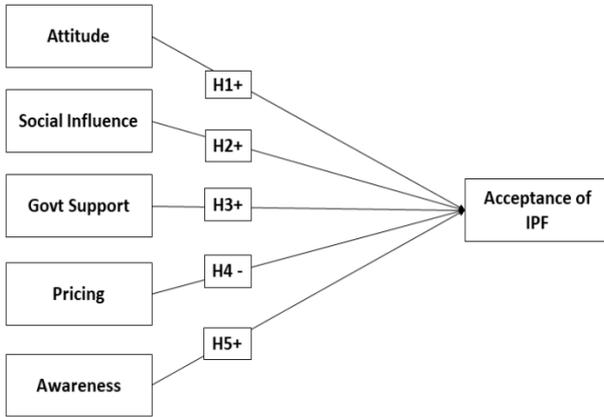


Figure 1. Conceptual Framework

Research Methodology

Proposed Research Model

The main constructs of the model have been taken from a previous seminal study of Fishbein and Ajzen (1977) that is widely known as the theory of reasoned actions (TRA). The model was duly selected because of its substantial usage and high analytical power in describing the acceptance of different systems and products. This model is said to be more rational and systematic in investigating customers' behavioral intentions, especially in Islamic banking (Lujja, Omar Mohammad, Hassan, Finance, & Management, 2016). The theory of reasoned actions is a generic model and therefore multiple studies in the past employed the model to ascertain behavioral intentions of different types of customers in the areas of psychology, marketing, behavioral finance, and other areas of management studies (Hussain, Rahman, Zaheer, Saleem, & Marketing, 2016). This model is also worth using in future studies regarding various aspects of Islamic banking and its products. In this study, the authors aim to measure the acceptance of Islamic personal financing by extending the previous model with a new construct i.e., awareness, to better grasp the selection choices of IPF in the Muslim community in the KP, Pakistan.

Data Collection and Sample

Relevant past studies heavily used survey methods and claimed that a survey is the best tool for collecting data from a large population about Islamic products (Ali, Raza, Puah, & Karim, 2017). Therefore, the survey questionnaire method was decided to be used for data collection from a population that was comprised of all the Islamic bank customers in KP, Pakistan. As the population was hugely widespread and was impracticable to access all the customers, thus the authors resorted to using a sampling. For taking a sample, the authors randomly selected three southern divisions of KP (Kohat, Dera Ismail Khan, and Bannu) where the employees and postgraduate students of higher education institutions were targeted for data collection. Those employees and postgraduate students were contacted who have/had an Islamic banking account(s). The three districts were randomly selected for data collection using a probability sampling procedure. The education institutions were purposefully used for data collection, because the employees and postgraduate students had bank accounts, aware of the instrument well, and were able to reply accordingly. Previous studies also support using the data of university students in the context of Islamic banking (Kashif, Wan Shukran, Rehman, & Sarifuddin, 2015). The questionnaires were personally distributed in the three divisions from January to March 2019.

The respondents were briefed about the study's purpose and were ensured that their responses will be duly cared for and strictly kept confidential. Moreover, they were told that every respondent has a chance to win a prize through a lucky draw among all the respondents. All the respondents filed the survey freely and during the process, they were helped out by the authors in case of any query/inconvenience in the questionnaire. To accelerate the responses, the authors revisited the target institutions and requested/reminded them to fill the questionnaires. It is worth mentioning that the initial responses were used for getting initial pilot results. More specifically, a pilot study was conducted to check the validity and reliability of the instruments. To this end, the study used the initial 32 questionnaires and found that the reliability value was 0.914, showing that

the instrument was valid for further analysis. This was helpful in ensuring the validity, understandability, and reliability of the measurement tool.

Measurement

Data was collected through a questionnaire based on a 5-point Likert scale having options (strongly agree to strongly disagree) with values 5,4,3,2 and 1. The item of attitude, government support, social influence, and pricing were measured by four questions each, adopted from Amin et al. (2011) while the item of awareness was measured through four questions adapted from Riaz et al. (2017). Some of the items in the survey questionnaire were, “choosing Islamic personal financing is useful” and “most people who are important to me think that Islamic personal financing is useful” among others. In the majority of the cases, the respondents relied on the “agree” or “strongly agree” options.

Data Analysis and Results

Descriptive and inferential tools were used to examine the research hypotheses. The various tools helped to check the relationship(s) between the predictors and the outcome variables. To this end, we used Smart-PLS to conduct the analysis in a better and reasonable way. Smart-PLS is the most powerful software for getting the path diagrams, obtaining confirmatory factor and doing structure equation modeling (Wong, 2013). Further, its interface is users-friendly which enable to conveniently configure path diagrams, estimation of parameters, and model fit determination (Nachtigall, Kroehne, Funke, & Steyer, 2003).

Table 1. Respondents’ Profile

Variables	Categories	Frequency	Percent
Gender	Male	263	73.1
	Female	97	26.9
	Total	360	100.0
Age	18-25	92	25.6
	26-35	174	48.5
	Above 35	94	26.0
	Total	360	100.0
Marital Status	Married	198	55.1
	Unmarried	162	44.9
	Total	360	100.0
Qualification	Bachelor	105	29.1
	Master	207	57.7
	M.Phil	10	02.6
	PhD	27	07.5
	Other	11	03.1
	Total	360	100.0
Banks	UBL Ameen	39	10.6
	Faysal Bank	44	12.3
	Meezan Bank	71	19.4
	Bank of Khyber	33	09.7
	Allied Bank	30	08.4
	HBL	74	20.7
	Bank Al Falah	17	04.8
	Dubai Islamic Bank	22	05.7
	NBP Islamia	20	05.3
	MCB	10	02.6
	Total	360	100.0
Experience	Less than one year	107	29.1
	One to three years	131	35.7
	Four to six years	73	19.8
	More than 7 years	49	13.2
	Total	360	100.0

Table 1 shows the gender divides of the respondents. The results reveal that males were 166 in numbers with 73.1% who participated in this study, while females were numbered 61, with 26.9%. The table also shows the classification of respondents in terms of age, marital status and qualifications. Respondents whose ages between 18 years to 25 years were 58 in numbers while 48.5% were 26-35 in their age. The Table tells the qualification profile with a 29.1% bachelor level, master degree holders were 131 in number with 57.7% of the total sample size. Similarly, the Table elucidates the experience of the respondents as well. The results show that 66 respondents had less than one-year experience which is 29.1% of the total sample size, one to three years are 81 in numbers which are 35.7%, four to six years’ experience of the respondents are 45 in numbers which are 19.8%, and 30 respondents had more than seven years of experience representing 13.2% of the total respondents.

Table 2. *Correlations and Discriminant Validity*

	A	Aw	GS	P	SI	IPF
A	0.761					
Aw	0.111**	0.894				
GS	0.142	0.022**	0.861			
P	0.046	-0.004	0.261**	0.732		
SI	0.119	0.144	0.029	-0.073**	0.838	
IPF	0.316	0.185	0.136	-0.138	0.328**	0.942

Note. A= Attitude; Aw=Awareness; GS=Govt support; P=Pricing; SI=Social influence; IPF=Islamic personal financing: The diagonal bold values show discriminants validities of each construct. *P<.05, **P<.01

Table 2 clarifies the correlation values of the constructs and also represents the discriminant validities of each construct. The correlations values tell that the constructs are positively correlated and their correlations are not so high to pose any multicollinearity issue. The authors also checked the variance inflation factor and tolerance values to cross-check the multicollinearity but found that the issue is not existent in the data set. Moreover, the diagonal bold values evidence a sound discriminant validity. To further explain the reliability and validity of the constructs, Table 3 shows the item-wise loadings, the Cronbach's Alfa (CA), composite reliability (CR) and average value extraction (AVE) of each variable. Thus, it is proved that the construct validity (both convergent and discriminant validities) is quite acceptable and the data are able to be used for onward analysis. The cut-off values for CA, CR, and AVE are 0.70, 0.70, and 0.50 respectively (Fornell & Larcker, 1981). We also checked the correlations of the constructs and the square root of their AVE to show the acceptable range of discriminate validity.

Table 3. *Loadings, CR, CA, and AVE*

	Items	Loadings	Cronbach's Alfa	Composite Reliability	Average Variance Extracted (AVE)
A	AT 1	0.747	0.641	0.805	0.580
	AT 2	0.778			
	AT 3	0.759			
Aw	A1	0.860	0.755	0.889	0.800
	A2	0.927			
GS	GS1	0.754	0.691	0.850	0.741
	GS2	0.956			
P	P1	0.790	0.733	0.820	0.536
	P2	0.670			
	P3	0.612			
	P4	0.834			
SI	S1	0.839	0.788	0.876	0.702
	S2	0.849			
	S3	0.825			
IPF	IPF1	0.902	0.958	0.969	0.888
	IPF2	0.951			
	IPF3	0.959			
	IPF4	0.956			

Table 4 further helps assess the discriminant validity through the heterotrait-monotrait ratio of correlations (HTMT) which is considered a valid way in the SEM technique (Hair Jr, Sarstedt, Ringle, & Gudergan, 2017). The values of HTMT should be less than 0.90 to establish a good discriminant validity (Henseler, Ringle, & Sarstedt, 2015), thus our results show no such issue.

Table 4. *Heterotrait–Monotrait Ratio (HTMT)*

	A	Aw	GS	P	SI	IPF
A						
Aw	0.165					
GS	0.198	0.043				
P	0.106	0.064	0.419			
SI	0.17	0.183	0.053	0.108		
IPF	0.398	0.213	0.149	0.142	0.376	

Note. A= Attitude; Aw=Awareness; GS=Govt support; P=Pricing; SI=Social influence; IPF=Islamic personal financing

Table 5. *Structure Model Results*

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Result
A -> IPF	0.260	0.260	0.047	5.589	0.000	Supported
Aw -> IPF	0.115	0.116	0.046	2.475	0.013	Supported
GS -> IPF	0.132	0.130	0.056	2.344	0.019	Supported
P -> IPF	-0.164	-0.170	0.056	2.915	0.004	Supported
SI -> IPF	0.265	0.264	0.051	5.207	0.000	Supported

Note. A= Attitude; Aw=Awareness; GS=Govt support; P=Pricing; SI=Social influence; IPF=Islamic personal financing

Table 5 exhibits the structural model results. The structure model depicts that there are five independent variables (attitude, government support, social influence, pricing, and awareness) while one dependent variable i.e. acceptance of Islamic personal finance. The preliminary statistics (reliability, validity, and model fit) shows that the overall regression model was sound in predicting the criterion variable. In this study, the R square value is $R^2 = 0.23$ which tells the level of change in outcome variable due to the selected predictors. Specifically, the attitude has a significant effect on the acceptance of Islamic personal finance ($P < 0.000$). Social influence has a positive and significant effect on the acceptance of Islamic personal finance ($P < 0.000$). Similarly, government support is also positively related to the acceptance of Islamic personal finance ($P < 0.019$). The P-value, found from the structural model, also show that pricing has a positive and significant effect on acceptance of Islamic personal finance ($P < 0.004$) and the awareness too has a significant and positive effect on acceptance of Islamic personal finance ($P < 0.000$), representing the significance of propagating the products in the Muslim community.

Discussion and Conclusion

In order to shape the influential factors that determine the Islamic personal financing, this study used the context of KP, Pakistan for concluding the empirical study investigating the customers’ attitude, government support, societal pressures, and pricing factors. To sum up, the preliminary statistics and regression analysis through PLS were conducted on the five independent variables (attitude, government support, social influence, pricing, and awareness) and one predicted variable i.e. acceptance of Islamic performance finance. We found that the R square value is 0.23 representing that the predictors explain 23% variance in the dependent variable i.e., Islamic personal financing. We found insightful results that will help light the way of academicians and practitioners in the field of IPF.

The attitude has a significant effect on the acceptance of Islamic personal finance. Thus, H1 is supported and the outcomes are in line with the prior studies (Fauziah et al., 2008; Zainuddin, Jahyd, & Ramayah, 2004). These results prove the appropriateness of the actual constructs of TRA model in IPF context. Past studies, like Gait and Worthington (2008) too found that the attitude, the mental predisposition, has a positive link with Islamic banking products. A similar result was reported by Gait and Worthington (2009), who surveyed Libyan corporate customers, that attitude leads to the usage of Islamic finance. Attitude matters in better feelings for any product which ultimately leads to customers’ satisfaction and further helps shape the good feeling of others for that product. Islamic banks need to work on the attitude of their clients and their own bank employees. The more the Islamic and conventional banks having Islamic windows shape the attitude of their clients the higher the inclination towards Islamic personal finance. Educating customers on the “how and why” questions to select IPF can prove very beneficial for the Islamic banks to increase the sale of their products (such as IPF). The other variable, awareness was found to have a significant impact on the adoption of IPF, thus confirming H5. Previous findings also support our finding that awareness has a commendable role in the acceptance of Islamic products (Buchari et al., 2015; Mahdzan et al., 2017). In this regard, awareness campaigns to promote IPF might be helpful to achieve the targets. The Muslim customers, if got awareness, will rush to use the IPF in comparison to conventional banking products.

The study further finds that social influence is one of the determinants of IPF in Pakistan. As expounded by Venkatesh and Davis (2000), social influence carries inspiration from other fellows, like peers, colleagues, work-mates, friends, neighbors and the other influential. Islamic banks have to transform Islamic banking products into a social phenomenon that can be spread through people to people. The government support also has a positive effect on acceptance of Islamic personal finance ($P < 0.000$), hence H3 is accepted and the results are consistent with previous studies (Haron, 2007; Rosly, 1999; Shaikh et al., 2018). Social influence in

any Muslim society can be proved as a constant source of inspiration for other customers to accept IPF. The more of the government support the more would be the utilization of Islamic personal financing by the bank customers. In this regard, the Islamic countries have more responsibilities to regulate the Islamic banking industry and its products so that people can gain maximum confidence in using Islamic banking products. Government support can strengthen the acceptance of IPF by providing conducive Islamic banking environment. Pricing has a significant effect on the acceptance of Islamic personal finance ($\beta = -.133, P < 0.05$). Thus H4 is also accepted indicating that the lesser the pricing of the IPF the more will be the acceptance of the product (IPF) by the bank customers in southern selected districts of KP, Pakistan. The finding regarding pricing is in line with the findings of (Amin, 2008; Dusuki & Abdullah, 2007) who concluded that the price factor is a deciding factor in the selection of Islamic personal finance.

Awareness has impactful consideration in the selection of Islamic banking/products. If the customers are aware of the opportunities/products, they can be inclined to use it as was found in previous studies (Butt et al., 2011; Khattak, 2010; Latif & Finance, 2019). Similar findings were acknowledged that the aware and informed customers tend to accept Islamic personal finance (Abdullah et al., 2006; Amin, 2008). The significant role of awareness urges the bank administration to work for promoting the IPF in true spirit. They can make use of social, print and electronic media as well as boost their products through educational and other social programs.

Conclusion

Aiming to unveil the factors that influence the acceptance of Islamic personal financing, the study appropriately applied the theory of reasoned actions based on the previous rigorous literature review. We found that acceptance of IPF is positively and significantly affected by attitude, government support, social influence, and awareness while pricing has a negative but significant impact on the IPF's acceptance in Khyber Pakhtunkhwa, Pakistan. The results show that Islamic banks and conventional banks having Islamic banking windows have a more competitive advantage over their counterparts in terms of the products that are consonant with their faith and attitude.

As the finding reveals that the Islamic and conventional banks using Islamic windows need to work on improving client's attitude by bringing and projecting equality in the practices of Islamic personal financing transactions. It is possible only when Islamic and other conventional banks with Islamic windows introduce fair bank-clients dealing policy. The banks need to publicize it, and thus it can change the customer's attitude to use Islamic personal finance. With regard to social influence, the banks need to make such a mechanism through which they can easily identify the clients who already use Islamic personal finance and such customers can persuade their relatives and friends to use the Islamic personal finance. Pricing is another dimension where the Islamic banks are advised to introduce a fair pricing policy that will not only encourage the existing customers but will attract more potential customers to use Islamic personal finance happily.

Similarly, government support plays a pivotal role in promoting Islamic personal financing. If there is government support with Islamic banks/products, it will enhance public confidence and consequently, Islamic banking will get flourishing in Pakistan. In this regard it is noticeable that the State Bank of Pakistan (SBP) has established a separate Islamic banking department where Islamic banking and its products are supervised through Shariah-boards. The Islamic products are to be separately managed from that of conventional banking as per the SBP directives. The government of Pakistan is fully supporting the IPF and other Shariah-compliant products in Pakistan.

Another very important variable is awareness about Islamic personal financing. Most importantly, Islamic banks need to make the common people aware of their products. In this information-intensive age, the banks can appropriately use print, electronic, and social media for this purpose. It is more likely that the IPF will be adopted if the general public is aware of Islamic banking and Islamic personal finance.

Implications of the study

Overall, the study investigated the determinants of Islamic personal financing in Pakistan using the theory of reasoned action. Among the several theoretical, managerial and social contributions, this study first contributes to the existing body of knowledge by using the TRA model in a new perspective of Islamic personal financing. The authors believe that this work will light the way of future research to conduct a more insightful investigation of other products of Islamic financing using the same or modified model. The study supports the various constructs of TRA and other behavioral models and thus gives fresh evidence on the suitability of these models in Islamic banking literature. The work is a way forward towards a micro-level study in the existing literature

of Islamic banking and Islamic finance. The role of behavioral and psychological aspects in the acceptance of Islamic services can further be investigated, taking light from such studies.

The study also furnishes managerial implications for Islamic banks, banking regulators, banks and other institutions that are directly and indirectly attached to Islamic finance. The significant variables in the study can be taken and further worked on to have more fruitful results for the better future of the Islamic banking industry. For example, there is an acute need on the part of the government to facilitate Islamic products in the country. The media and education system of the country can formulate such programs and training that can help assimilate the Islamic personal financing to the grass-root level. The awareness sessions and workshops can be arranged in universities, colleges, and other centers to make the public aware of such products. Islamic bank managers must think of the factors that can add to the successful penetration of Islamic products in their localities.

The study also has social and religious implications. The study, based on the principles of Islamic Shariah, has more suitability for social acceptance. The elders, the religious scholars, and the common Muslim community can be socially mobilized to opt for Islamic banking products. Such type of motivations and social implications can further boost up the Islamic personal financing by getting more social recognition in society.

Limitation and Future Research Directions

Besides the limitations of time, resources and materials, the present work acknowledges some limitations as well. First, the study was limited to the clients of Southern selected districts of KP i.e. Kohat, D.I. Khan and Bannu where the Islamic banking clients were surveyed who were a part of higher education institutions like universities, postgraduate colleges, engineering, and medical colleges either as a student or staff member. Such type of sample selection limits the generalizability of the findings and therefore care must be taken in applying the results to other parts and regions of the country. The present work investigated five variables to determine the IPF while there may be other variables that can be addressed in further studies. Coupling the model with more suitable variables would increase the explanatory power of the model.

Though the empirical investigation of the determinants of IPF using the quantitative method enriches our understanding of Islamic banking products in Pakistan, yet further quantitative and/or qualitative studies would help search better ways to develop IPF in Pakistan and other Islamic countries. Another limitation of the current study is its cross-section design where the authors used survey method for data collection. Though the data collection was reasonable in this case, yet future researchers can focus on other designs, like longitudinal or time series, etc., to better and robustly examine the IPF in Pakistan. It is also worthwhile to deliberate other potential variables regarding IPF, like riskiness, experience, rewards, cultural dimensions, the performance of Islamic banks, and substitution effect to highlight a comparison between Islamic versus interest-based financing products. The authors also suggest to use some moderators and/or mediators so that some indirect/intervening paths can be found and thus help investigate the IPF in more precise way.

References

- Abdullah, N. I., Dusuki, A. W. J. I. J. o. E., & Management. (2006). Customers' perceptions of Islamic hire-purchase facility in Malaysia: An empirical analysis. *14(2)*, 177-204.
- Ahmed, R. R., Vveinhardt, J., Streimikiene, D., & Pilinkiene, V. J. I. E.-E. E. (2019). Application of the Theory of Planned Behaviour Model for Examining Customers' Intentions towards Islamic Hire Purchase Financing. *30(2)*, 236-245.
- Ajzen, I. (1991). The theory of planned behavior. *Organizational behavior and human decision processes*, *50(2)*, 179-211.
- Albashir, W. A., Zainuddin, Y., Panigrahi, S. K. J. I. J. o. E., & Issues, F. (2018). The acceptance of Islamic banking products in Libya: A theory of planned behavior approach. *8(3)*, 105.
- Ali, M., & Chin-Hong, P. (2015). Factors affecting intention to use Islamic personal financing in Pakistan: Evidence from the modified TRA model. MPRA paper number. 66023, University library of Munich, Germany.
- Ali, M., Raza, S. A., Puah, C.-H., & Karim, M. Z. A. J. H. S. (2017). Islamic home financing in Pakistan: a SEM-based approach using modified TPB model. *32(8)*, 1156-1177.
- Ali, Q., Yaacob, H., & Salman, A. J. I. T. N. o. A., The most Beneficent, The most Merciful. (2019). The Acceptance of Islamic Credit Card in Brunei. 80.
- Amin, H. (2008). Choice criteria for Islamic home financing: Empirical investigation among Malaysian bank customers. *International Journal of Housing Markets and Analysis*, *1(3)*, 256-274.

- Amin, H., Abdul-Rahman, A.-R., & Abdul-Razak, D. J. I. J. o. B. M. (2013). An integrative approach for understanding Islamic home financing adoption in Malaysia. *31*(7), 544-573.
- Amin, H., Muhammad, M. Z., Lada, S., Amran, A., & Hamid, M. R. A. (2006). Islamic Banking Development in Bimpeaga Countries: Issues and Potential Cooperation.
- Amin, H., Rahman, A. R. A., Jr, S. L. S., & Hwa, M. C. A. (2011). Determinants of customers' intention to use Islamic personal financing: The case of Malaysian Islamic banks. *Journal of Islamic Accounting and Business Research*, *2*(1), 22-42.
- Amin, H., Rahman, A. R. A., & Ramayah, T. (2009). What makes undergraduate students enroll into an elective course? The case of Islamic accounting. *International Journal of Islamic and Middle Eastern Finance and Management*, *2*(4), 289-304.
- Ariff, M., & Rosly, S. A. J. A. E. P. R. (2011). Islamic banking in Malaysia: Unchartered waters. *6*(2), 301-319.
- Bananuka, J., Kaawaase, T. K., Kasera, M., & Nalukenge, I. J. I. J. o. I. F. (2019). Determinants of the intention to adopt Islamic banking in a non-Islamic developing country: The case of Uganda.
- Billah, M. M. S. (2019). Islamic Trade Financing Frameworks. In *Islamic Financial Products* (pp. 183-196): Springer.
- Buchari, I., Rafiki, A., Al Qassab, M. A. H. J. P. E., & Finance. (2015). Awareness and attitudes of employees towards Islamic banking products in Bahrain. *30*, 68-78.
- Butt, I., Saleem, N., Ahmed, H., Altaf, M., Jaffer, K., & Mahmood, J. J. J. o. I. M. (2011). Barriers to adoption of Islamic banking in Pakistan. *2*(3), 259-273.
- Dusuki, A. W., & Abdullah, N. I. (2007). Why do Malaysian customers patronise Islamic banks? *International Journal of Bank Marketing*, *25*(3), 142-160.
- Fauziah, Taib, M., Ramayah, T., Abdul Razak, D. J. I. J. o. I., Finance, M. E., & Management. (2008). Factors influencing intention to use diminishing partnership home financing. *1*(3), 235-248.
- Fishbein, M., & Ajzen, I. (1977). Belief, attitude, intention, and behavior: An introduction to theory and research.
- Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics. *Journal of marketing research*, 382-388.
- Gait, A., & Worthington, A. C. J. A. a. S. (2009). Libyan Business Firm Attitudes towards Islamic Methods of Finance.
- Gait, A., & Worthington, A. J. I. J. o. S. E. (2008). An empirical survey of individual consumer, business firm and financial institution attitudes towards Islamic methods of finance. *35*(11), 783-808.
- Gopi, M., & Ramayah, T. J. I. J. o. E. M. (2007). Applicability of theory of planned behavior in predicting intention to trade online: Some evidence from a developing country. *2*(4), 348-360.
- Hair Jr, J. F., Sarstedt, M., Ringle, C. M., & Gudergan, S. P. (2017). *Advanced issues in partial least squares structural equation modeling*: Sage Publications.
- Haque, A., Osman, J., & Ismail, A. Z. J. A. J. o. A. S. (2009). Factor influences selection of Islamic banking: a study on Malaysian customer preferences. *6*(5), 922.
- Haron, S. (2007). *Sistem kewangan Islam dan perbankan Islam*: Kuala Lumpur Business School.
- Henseler, J., Ringle, C. M., & Sarstedt, M. J. J. o. t. a. o. m. s. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *43*(1), 115-135.
- Hoque, M. E., Nik Hashim, N. M. H., & Azmi, M. H. B. J. J. o. I. M. (2018). Moderating effects of marketing communication and financial consideration on customer attitude and intention to purchase Islamic banking products: A conceptual framework. *9*(4), 799-822.
- Housby, E. (2013). *Islamic and Ethical Finance in the United Kingdom*: Edinburgh University Press.
- Hussain, I., Rahman, S. u., Zaheer, A., Saleem, S. J. J. o. I. F., & Marketing, A. (2016). Integrating factors influencing consumers' halal products purchase: application of theory of reasoned action. *28*(1), 35-58.
- Imam, P., Kpodar, K. J. E. M. F., & Trade. (2013). Islamic banking: how has it expanded?, *49*(6), 112-137.
- Kaakeh, A., Hassan, M. K., & Van Hemmen Almazor, S. F. J. I. J. o. E. M. (2019). Factors affecting customers' attitude towards Islamic banking in UAE.
- Kaakeh, A., Hassan, M. K., van Hemmen Almazor, S. F. J. I. J. o. I., Finance, M. E., & Management. (2018). Attitude of Muslim minority in Spain towards Islamic finance. *11*(2), 213-230.
- Kashif, M., Wan Shukran, S. S., Rehman, M. A., & Sarifuddin, S. J. I. J. o. B. M. (2015). Customer satisfaction and loyalty in Malaysian Islamic banks: a PAKSERV investigation. *33*(1), 23-40.

- Khan, M. M., & Bhatti, s. (2008). Islamic banking and finance: on its way to globalization. *Managerial Finance*, 34(10), 708-725.
- Khattak, N. A. J. A. J. o. B. M. (2010). Customer satisfaction and awareness of Islamic banking system in Pakistan. 4(5), 662-671.
- Khair, K., Gupta, L., & Shanmugam, B. J. M. P. M. S. B. (2008). Longman Islamic Banking: A Practical Perspective.
- Lajuni, N., Wong, W. P. M., Yacob, Y., Ting, H., Jausin, A. J. I. J. o. E., & Issues, F. (2017). Intention to use Islamic banking products and its determinants. 7(1), 329-333.
- Latif, S. D. H. J. I. J. o. I. E., & Finance. (2019). Awareness and Perceptions of Muslim Society towards Islamic Banking in the Philippines. 1(2), 209-228.
- Lujja, S., Omar Mohammad, M., Hassan, R. J. I. J. o. I., Finance, M. E., & Management. (2016). Modelling public behavioral intention to adopt Islamic banking in Uganda: the theory of reasoned action. 9(4), 583-600.
- Mahdzan, N. S., Zainudin, R., & Au, S. F. J. J. o. I. M. (2017). The adoption of Islamic banking services in Malaysia. 8(3), 496-512.
- Maryam, S. Z., Mehmood, M. S., Khaliq, C. A. J. I. J. o. I., Finance, M. E., & Management. (2019). Factors influencing the community behavioral intention for adoption of Islamic banking.
- Naqvi, S. N. H. J. J. o. K. A. U. I. E. (2002). Rodney Wilson, Economics, Ethics and Religion: Jewish, Christian and Muslim Economic Thought. 14.
- Obeid, H., & Kaabachi, S. J. J. o. A. B. R. (2016). Empirical investigation into customer adoption of Islamic banking services in Tunisia. 32(4), 1243.
- Olson, D., & Zoubi, T. A. J. T. I. J. o. A. (2008). Using accounting ratios to distinguish between Islamic and conventional banks in the GCC region. 43(1), 45-65.
- Pakistan, S. B. o. (2019). *Islamic Banking Bulletin*. Retrieved from <http://www.sbp.org.pk/ibd/bulletin/2019/Jun.pdf>
- Pitchay, A. B. A., Thaker, M. A. B. M. T., Azhar, Z., Mydin, A. A., & Thaker, H. B. M. T. J. J. o. I. M. (2019). Factors persuade individuals' behavioral intention to opt for Islamic bank services.
- Rammal, H. G., & Zurbruegg, R. (2016). Awareness of Islamic banking products among Muslims: The case of Australia. In *Islamic Finance* (pp. 141-156): Springer.
- Riaz, U., Khan, M., & Khan, N. J. Q. R. i. F. M. (2017). An Islamic banking perspective on consumers' perception in Pakistan. 9(4), 337-358.
- Rosly, S. A. J. T. I. B. R. (1999). Al-Bay'Bi'haman Ajil financing: impacts on Islamic banking performance. 41(4-5), 461-480.
- Shaikh, I. M., Noordin, K., & Alsharief, A. J. I. E. S. (2018). Factors Influencing Customers' Acceptance Towards Diminishing Partnership Home Financing: A Study of Pakistan. 26(1).
- Thaker, M. A. B. M. T., Amin, M. F. B., Thaker, H. B. M. T., & Pitchay, A. B. A. J. J. o. I. M. (2019). What keeps Islamic mobile banking customers loyal?
- Venkatesh, V., & Davis, F. D. J. M. s. (2000). A theoretical extension of the technology acceptance model: Four longitudinal field studies. 46(2), 186-204.
- Wong, K. K.-K. J. M. B. (2013). Partial least squares structural equation modeling (PLS-SEM) techniques using SmartPLS. 24(1), 1-32.
- Zainuddin, Y., Jahyd, N., & Ramayah, T. J. J. M. d. B. (2004). Perception of Islamic banking: does it differ among users and non-users. 6(2), 135-149.
- Zin, A. H. B. M., Noordin, M. B., Rahman, M. H. B. A., & Faisal, A. A.-A. B. (2019). Business Strategies of Islamic Trade Finance Products for SME. In *Contemporary Management and Science Issues in the Halal Industry* (pp. 439-449): Springer.

Appendix A1: Survey Questionnaire

Attitude

- Choosing Islamic personal financing is a good idea.
- Choosing Islamic personal financing is useful.
- Choosing Islamic personal financing is beneficial.
- I appreciate Islamic personal financing.

Social Influence

- Most people who are close to me think that I have to choose Islamic personal financing.
- It is expected by others that I should choose Islamic personal financing.
- Most people who are important to me think that Islamic personal financing is useful.
- Most people who are important to me think that Islamic personal financing is beneficial.

Government Support

- Your Bank encourages the use of Islamic banking financing facilities.
 - The Pakistani government provides incentives to the Islamic banking industry.
 - The Pakistani government guarantees the stability of the Islamic finance industry.
 - Your Bank always scrutinizes the move of Islamic banking operations.
-

Pricing

Service charges are higher.

Penalty for Islamic personal financing is higher.

Fees obtained from Islamic personal financing are higher.

Islamic personal financing offers unjust pricing.

Monthly payments for Islamic personal financing are higher.

Overall, Islamic personal financing is higher.

Awareness

Customers have gained good understanding and awareness of Islamic financing products in Pakistan

There is a lack of awareness among people regarding the availability of Islamic banking in Pakistan

Islamic banks have good advertising strategies to inform the public about the financing opportunities in Pakistan

Islamic institutions use a variety of methods to educate people about their products and services
