



Customer acceptance toward Islamic personal financing in Pakistan

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Abstract

The present study is the first attempt in Pakistan to examine the determinants of Islamic personal financing by using a modified theory of reasoned action (TRA) model. This study uses the two primary constructs of the TRA model: subjective norm and attitude. Additionally, this study modified this model by introducing three relevant factors: pricing of Islamic personal financing, a religious obligation, and government support to predict the intention of Islamic bank customers about Islamic personal financing. Sample data were conveniently drawn from the Islamic bank customers with the help of a self-administered survey-based questionnaire. The study sample comprised 484 responses of full-fledged Islamic bank customers located in the biggest city of Pakistan. Out of 484 responses, this study considered 471 responses and ignored 13 responses due to incomplete information provided by the customers. The data was statistically analyzed by employing Structural equation modeling SEM. Overall, the study results suggest that pricing of Islamic personal financing and religious obligation has a negative and significant impact on the intention to use Islamic personal financing; however, attitude and social influence were found to be positive but insignificant predictors. In addition, government support is positive and significantly associated with using Islamic personal financing. This study has some practical implications for Islamic bank managers and the government of Pakistan. Furthermore, Islamic banks should capture the need for Islamic personal financing, while government support may help promote this service for Islamic banks in Pakistan.

Keywords Personal financing · Islamic banks · Customer intentions · Pakistan

Introduction

A broader concept about the Islamic banking industry is growing significantly worldwide. Its ethical banking practice and theory have been associated with its broader appeal. Islamic banking strictly follows Sharia compliance and prohibits interest (riba). Its involvement is restricted to giving and taking an interest and forbids other activities such as liquor, speculation, and gambling, considered unethical under Islamic laws. Globally, Malaysia is a country that is regarded as an international Islamic financial hub where government support is comprehensively strengthening the dual banking system (Amin et al. 2011). Malaysian Islamic banks provide various types of Islamic products to fulfill the financial needs of their customers. The most famous Islamic product in Malaysia is Islamic personal financing, which provides financial assistance to their customers to purchase durable and non-durable goods.

In Pakistan, the prohibition of interest (riba) started in 1970, further practically followed in 1980. Ever since, the Islamic banks of Pakistan providing a wide range of Islamic

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products and services under the guidelines of Sharia principles. According to the State Bank of Pakistan (2020), the Diminishing Musharakah is the dominating mode of financing in overall Islamic banking products. It has a 33.6 percent share among other financing products. Additionally, Musharaka financing shows 22.7 percent followed by Murabaha at 13.7 percent of share in Islamic banking. However, Salam (1.9 percent), Istisna (8.3 percent) and Ijarah (4.8 percent) financing need more time to achieve a greater share in the Islamic mode of financing in Pakistan. It is a due fact that Pakistan is an agricultural country, so the Salam and Istisna products may get their share increase by the government support on the agriculture side. Currently, these two products are smaller in total share of Islamic product portfolio compared to other products. The Islamic banking institutions are providing Sharia-compliant products in the following regions;

- Investment banking
- General banking
- Trade finance
- Consumer banking
- Corporate/ SME banking

Previously, many studies have been conducted on Islamic banking products and their adoption (Ali et al. 2019; Amin et al. 2011; Lada et al. 2009; Abduh et al. 2012; Ali and Puah 2017; Ali et al. 2017a, b; Charag et al. 2019; Atal et al. 2020; Khan et al. 2020). Some studies have found subjective norms and attitudes to be a valid construct to explain an individual's acceptance of Islamic banking products (Yusserrie et al. 2004; Taib et al. 2008). Few studies have established government support, religious obligations and pricing of Islamic products significantly affect individuals' intentions to use Islamic banking products (Amin et al. 2011; Koe and Rehman 2014). Past investigations also suggest that an individual's intention toward Islamic bank selection is associated with religious obligation and the pricing of Islamic banking products (Haron et al. 1992, 1994). Similarly, previous literature also supports that the pricing of Islamic products significantly affects one's decision to patronize Islamic banking products and services (Haron et al. 1992; Rosly 1999; Amin 2008).

Additionally, Amin et al. (2011) argued that the diverse financial need of Islamic bank customers should be analyzed. However, the purchase of durable and non-durable goods requires financial assistance, which Islamic banks can fulfill by offering an Islamic personal financing product (Amin et al. 2011). Similarly, in Pakistan, the financial need of bank customers becomes more complex due to the restrictions imposed by Islamic laws. The injunctions of no risk and uncertainty and no interest in financing make the Islamic financial system weaker for their customers (Siddiqi 2008).

On the other side, Kaleem and Wajid (2009) argued that the Islamic financial institutions could not provide a proper financing system where most of the population is Muslims. Their study further stated that any empirical evidence in the context of Islamic financing would provide value addition for Islamic financial institutions. Not only this, one study by Zameer et al. (2015) highlighted the low level of customer satisfaction in Pakistan. Their investigation also proved the importance of challenges faced by the financial sector in terms of customer satisfaction. Subsequently, Islamic bank customers demand personalized financial solutions with the awareness of banking products such as Sharia compliance services. Thus, Islamic banks must investigate the customer perception toward banking products (Butt et al. 2011).

To the best of the authors' knowledge, no such study has been conducted in Pakistan's context of Islamic personal financing. To bridge the research gap, the present study attempts to contribute to the existing Islamic finance literature by adopting a framework of the theory of reasoned action (TRA) introduced by Fishbein and Ajzen (1975). In this study, we have modified the TRA model by introducing three new variables, namely, "government support," "pricing of Islamic personal financing," and "religious obligation." Due to the study objectives, the actual behavior of the TRA model has been excluded. Since this research is more focused on determining the behavioral intention, subjective norms and attitudes with the inclusion of three additional variables. The previous studies also used a similar approach (Taib et al. 2008; Ali et al. 2015; Kleijnen et al. 2004 and others). Therefore, this research aims to investigate the effect of social influence, attitude, government support, pricing of Islamic personal financing and religious obligations on the intention to use Islamic personal financing in Pakistan. Furthermore, the modified model of this study is then tested on fully-fledged Islamic bank customers of Karachi, Pakistan.

Scope of the study

At present, personal financing is commonly offered by commercial banks in Pakistan. On the other side, Islamic personal financing is relatively new. For example, the Dubai Islamic Bank recently launched the facility in Pakistan based on the concept of Musawamah. The financing facility covers many customers' personal needs, such as loans settlements, medical expenses, child education, marriage plans, and other emergency needs. Since the permissibility of Islamic personal finance is subject to Sharia compliance, other Islamic financial institutions are in the developing stage to offer this facility. In this context, this study defined its scope by focusing on using Islamic personal financing facilities in Pakistan.



Motivation of the study

Globally, many empirical studies have been conducted on Islamic banking products, but there is typically lacking in Islamic personal finance literature. For example, research on Islamic banking products in Pakistan is relatively limited compared to other developing Islamic finance countries. The present study is considered a pioneer one in Islamic personal financing in the context of Pakistan. Our study has contributed to the existing Islamic finance literature by modifying the TRA model using three unique determinants of intention to use Islamic personal finance, namely, “government support,” “pricing of Islamic personal financing,” and “religious obligation”. This study also gives the direction for future studies.

The present study is organized into five main sections: chapter 1 introduction followed by Sect. 2 as literature review; Sect. 3 discusses methodology while Sect. 4 represents the results and estimations. The last Sect. 5 provides the conclusion, policy implications, and direction for future studies.

Literature review

Debt and financing in Islam

Generally, Islamic financing is associated with two main intentions. First, Islamic financing deals to rotate resources from wealthy persons with poor people (Amin et al. 2011). Second, Islamic financing is developed to fulfill the Muslims’ financing need to grow their wealth (Khiret al. 2008). Thus, Islamic banks play a vital role as financial intermediaries and accept deposits from their customers, further accumulated to provide financial assistance according to human needs. Furthermore, Islam discourages Muslims from carrying debts while debts are allowed only for real needs. On the other side, Muslims are advised to deal with justice and fairness with the debtors. If a debtor cannot repay his debt, then Sharia guidelines provide two alternatives, either to convert the debt into charity or to prolong the repayment date. Haron and Shanmugam’s (2001) study suggests that converting debt into charity is better against prolonged repayment duration. Their argument is based on two reasons. First, this option allows a debtor to discharge from debt liability and bankruptcy under a fair and transparent procedure. Second, Islamic banks can better structure Islamic policies and promote a true spirit of Islamic financing. They further argued that Islamic banking products could be customer support in this manner.

Amin et al. (2011) suggest that Islamic banks must provide those policies which support bank customers to cut down their debt burden. They further argued that Islamic

banks should convert loans to charity policy and comply by adding adjustable rebates and payment holidays for genuine customers. In this sense, the customer can easily repay monthly payments by using a payment holiday facility. These steps can help Islamic bank customers face real financial hardships. In Pakistan, it is also evident that all Islamic banks do not offer Islamic personal financing facilities except Dubai Islamic bank. In this regard, the above discussion indicates that the causes of low adoption of Islamic personal financing may be due to its complex nature and yet to be approved by the Sharia board of all Islamic banks. However, the banks’ delay in offering Islamic personal financing products may be one of the main reasons for low adoption.

Islamic personal financing and some empirical studies

Islamic personal financing generally works on two Sharia principles: “bay al inah” and “qardulhasana.” Islamic banks mainly focused qardulhasana rules. It is categorized as a benevolent fund or beneficial loan and is given for a fixed period without considering the profit (Khir et al. 2008). This method has two significant advantages. First, this financing method is based on a good will basis while the customer is only bound to repay the actual principal amount. Second, qardulhasana financing is deeply consistent with Sharia principles. Additionally, qardulhasana is the only Islamic financing type that does not consider the time value of money. It neither violates the prohibition of the *riba* (interest) concept (Khiret al. 2008). Despite this, some disadvantages are associated with this type of Islamic financing. Mainly, Islamic scholars reserved their grave concerns over the charges imposed on qardulhasana financing. Finally, they argued that indirect costs such as office rental costs, employment expenditures and other costs associated with qardulhasana financing should be separate from the financing cost of this type.

Not only this, qardulhasana financing still under questioning by academics (Amin et al. 2011). Theoretically, bank customers are bound to pay the only principal amount borrowed, whereas the payment of the additional amount is left on their willingness. But in practice, Islamic banks have added additional charges in this type of facility, which further violates the true spirit of Islamic financing.

In the same vein, Haniffa and Hudaib (2007) investigated the ethical identity of Islamic banks. Their study suggests that the Islamic bank debtor should be given intensive care and proper treatment according to the Sharia principles. Islamic banks should be more flexible than conventional banks with their debtors. Therefore, Islamic bank customers should be entitled to *zakat* to be free from debt liability in specific conditions. Haniffa and Hudaib (2007) study



further argued that they should declare their debt policy in the annual reports.

Dusuki (2008) investigated the objectives of Islamic banking from the perspectives of stakeholders. Their findings revealed that Islamic banks should provide a social welfare fund to fulfill the aim of Muslims. This measure of Islamic banks can gain more customers, promote development projects and decrease poverty. They further suggested that Islamic banks promote Islamic values and norms and are not solely profit-oriented. These measures are associated with Islamic society's social values, including debt rebates, zakat assistance, and the extension of the debt financing period.

Sulaiman (2003) study suggests that long-term loans provided by the Islamic banks should be *mudarabah* based financing in which banks can take a share of the company's profit. However, the bank loses the profit in terms of losses. In addition, Islamic banks are based on cooperation and sacrifice among the lender and the borrower. Hamid et al. (1993) suggest that debt financing discourages Islam because of *riba* (interest) prohibition in Sharia rules. Their investigation also argued that debt financing on real needs is allowed instead of material desires. Excessive debt liability puts more financial burden on an individual, creating insolvency. Therefore, bank liquidity also disrupts when increases the number of defaulters. Recently, many studies have been conducted that shed light on the importance of Islamic banking adoption behavior (Charag et al. 2019; Atal et al. 2020; Khan et al. 2020; Umar et al. 2021). The scarcity of literature in Islamic personal financing required more attention to explore the phenomenon. Thus, this study understands the need for literature on personal financing adoption behavior in Sharia compliance.

What is the TRA model?

In 1975, Fishbein and Ajzen introduced a model, namely the theory of reasoned action (TRA). The study established a relationship between attitude, beliefs, behaviors and intentions (Taib et al. 2008). Past studies have used this theory in a different contexts. Taib et al. (2008) study used a TRA model to investigate the intentions of Malaysian Islamic bank customers for *Musharakah Mutanaqisah* home financing. Amin et al. (2009) used this model to find out the preferences of undergraduate students to accept Islamic accounting in Malaysia. In short, the TRA model is used widely in past empirical research due to its flexibility in any context of behavioral intentions (Md-Taib et al. 2008; Lada et al. 2009; Amin et al. 2009; Mathieson et al. 2001; Ramayah et al. 2005; Amin 2011; Yu. 2012).

This study extends the TRA model in Islamic personal financing literature in Pakistan Islamic bank customers. The two primary constructs of the TRA model are used in this

study, namely attitude and subjective norm. In contrast, the TRA model is further modified by introducing "government support," "pricing of Islamic personal financing," and "religious obligation" variables. Past empirical studies suggested that the TRA model better explains an Islamic finance concept (Amin et al. 2011; Amin et al. 2009; Taib et al. 2008, Ramayah et al. 2009; Gopi and Ramayah 2007).

Hypotheses development

Attitude

Attitude constructs of the TRA model refer to an individual evaluation of positive and negative emotions to perform a particular behavior (Fishben and Ajzen 1975). If an individual's attitude is positive, then the chances are high that a person performs a particular behavior. Taib et al. (2008) presented evidence of the positive attitude of postgraduate students toward Islamic home financing. Gopi and Ramayah (2007) suggested that the online trading system is mainly associated with attitude. Similarly, Ramayah and Suki (2006) examined a significant positive relationship between attitude and MBA students' intention to adopt mobile personal computers. Furthermore, Amin et al. (2011) investigation suggests that attitude has a positive and significant impact on Islamic financing, and based on past studies, the following hypothesis is proposed:

H1 Attitude will have a significant impact on the intentions to use Islamic personal financing.

Social influence

This study refers to the subjective norm as social influence. Social influence can be explained as an individual's perception of his important referents. This perception allows him to perform or not to perform a specific behavior (Fishben and Ajzen 1975). Social influence is generally positively associated with one's intention. Taib et al. (2008) found a positive and significant relationship between subjective norm and the level of one's acceptance for diminishing partnership. Most studies have found a positive and significant association between subjective norm and behavioral intentions (Amin et al. 2011; Teo and Pok 2003; Venkatish and Davis 2000). However, Chau and Hu (2001) and Lewis et al. (2003) found an insignificant relationship between subjective norm and the intention to use information technology. These mixed results are obtained from past literature related to subjective norms and intentions. So the proposed hypothesis for this study is as follows:

H2 Social influence will have a significant impact on the intentions to use Islamic personal financing.



Pricing of Islamic personal financing

According to Ebert and Griffin (1998), the pricing of Islamic personal financing refers to the price at which the Islamic banks sell their products. Islamic banks use the profit and loss sharing method for financial transaction services (Olson and Zoubi 2008). However, the concept of *riba* (interest) is strictly prohibited in Islam, whereas profit and loss sharing is permissible. In addition, the Islamic banking model allows delayed payment charges on trade financing under the guidelines of Sharia principles. In the same vein, one study by Amin (2008) suggests that pricing is the most influential factor in motivating Islamic bank customers. Therefore, the lower the pricing on Islamic personal financing, the greater the customer's chances to use Islamic personal financing products (Amin et al. 2011). This outcome is in line with past studies (Amin et al. 2008; Rahman 2005; Abdullah and Dusuki 2006). Based on past literature, the following hypothesis is proposed:

H3 Pricing will have a significant impact on the intentions to use Islamic personal financing.

Religious obligation

In general, the religious obligation is the role of religion in affecting an individual's intentions and choices. Islamic society is significantly affected by Sharia guidelines (Sulaiman 2003). Islamic banks can adhere to Sharia principles, goals and values when providing Islamic personal financing. This adherence to Islamic banks can change one's behavioral intention to use Islamic personal financing. Therefore, if the Islamic banks adhere to greater Sharia principles, there are greater possibilities that an individual will use Islamic personal financing. This statement is supported by past empirical studies in the context of Islamic banking products (Omer 1992; Metwally 1996; Almossawi 2001). However, Souiden and Rani (2015) also reported the significant relationship between the religiosity and behavioral intention of Islamic bank customers. Based on the past literature, the following hypothesis is proposed for religious obligation:

H4 Religious obligation will have a significant impact on the intentions to use Islamic personal financing.

Government support

The government actions and objectives that influence an individual's behavior are referred to as government support. Amin et al. (2006) suggest that Islamic banking products and government support are positive and significantly associated. Government support plays a vital role for Islamic banks to emerge with the new banking concept due to high market competition (Amin et al. 2011). In addition, Rosly (2005) and Haron (2005) argued that Islamic banking products are heavily dependent on government support. Thus, government support is expected to significantly impact Islamic personal financing. The proposed hypotheses between government support and Islamic personal financing is as follows:

H5 Government support will have a significant impact on the intentions to use Islamic personal financing.

Conceptual framework

The demonstration of the conceptual model of our study is shown in Fig. 1. This framework offers Islamic banks' customers' intention to use Islamic personal financing. Based on previous studies, Fig. 1 illustrates the relationship between Islamic bank customers' intention and its determinants to use Islamic personal financing in Pakistan.

Methodology

Instrumentation

The questionnaire used in this study was adapted from past studies to examine the intentions of Islamic bank customers about Islamic personal financing in Pakistan. Social influence items were gathered from Taib et al. (2008) and Ramayah and Suki (2006) while attitude items were adapted from Taib et al. (2008) study. Religious obligation items were collected from Naser et al. (1999), Metwally (1996) and Metawa and Al-Mossawi (1998) research. In addition, Amin et al. (2011) study collected government support and Islamic personal financing items. The respondents' perception is measured through 5-point Likert scaling ranging from 1 as "strongly disagree" to 5 as "strongly agree". The total no. of items in our questionnaire was 28 that satisfied the minimum criteria of questionnaire items proposed by Hair



et al. (2006). Before conducting the actual survey, this study employed a pilot testing on 50 Islamic bank customers with the help of designing the questionnaire. All the items in the questionnaire were stated in English, while the independent market and academic experts endorsed the content validity. Furthermore, the respondents' profile was also included in the questionnaire representing their demographic background. Pilot testing was conducted to identify the relevant problems associated with the questionnaire. All respondents were agreed about the usefulness and easy understanding items of the instrument.

Sampling and data collection

Sample data were collected through a survey-based questionnaire. This research targeted only full-fledged Islamic bank customers (Meezan bank ltd, BankIslamic Pakistan ltd, Al-barakah bank ltd, and Dubai Islamic bank ltd) because it is impossible to differentiate between Islamic and window Islamic bank customers. Due to specific research objectives, this study excluded window Islamic bank customers. The data were gathered from the Islamic bank customers who reside in the biggest city of Pakistan i.e., Karachi. The city is considered a hub of all businesses and the head offices of the banks operate from this city. Karachi dynamics capture the representation of overall Pakistan, because people living outside Karachi city live and work here due to the earning opportunities and better living standards. The survey of this study was conducted using the non-probability sampling technique (convenience sampling). Additionally, the convenience sampling technique is the most appropriate and widely applied in conducting Islamic bank research. The fact is supported by previous empirical studies (Amin 2012; Raza and Hanif 2013; Ramayah et al. 2003; Ali and Raza 2015; Amin et al. 2011 and many more). On the same token, Hultsch et al. (2002) argued that a true representation of the population may not be justified in the random sampling technique.

This means that the refusal rate among the approached respondents may vary due to individuals' lack of agreement to participate in the study. This study considers convenience sampling an appropriate technique and may proceed with further statistical analysis based on past literature support. A total of 484 respondents participated in the survey, of which 13 responses were excluded due to incomplete responses, lack of customer interest in filling out the questionnaire and missing data. The sample size of this study fulfills the minimum criteria of Comrey and Lee (1992), suggesting that a sample of 50 is inappropriate, 300 as acceptable, 500 as very good, and 100 as outstanding for factor analysis.

Results and estimations

Common method bias analysis

To examine the potential existence of common method variance bias among the dependent and independent variables, this study applied the Harmon's one-factor test (Chuang and Lin 2013). In this test, all the proposed variables under the varimax rotation were loaded in a single exploratory analysis (Karahanna et al. 1999). According to Harmon's test assumption, if a single or general construct shows more than 50 percent of the variance among the variables, then there exists sufficient evidence of common method variance (Kim and Park 2012). The study gathered variables that represent our dependent and independent variables with the division of different factors, while each factor accounts for less than 50 percent of the total variance. Therefore, the findings revealed that the common bias is not a severe problem for our sample data.

Demographics

Table 1 shows the profile of respondents who participated in our study. The table reveals the overall respondents' profiles. Table 1 exhibits 62% of the respondents were male, while the female response ratio was 38% among all respondents. Most of the respondents were married during the survey period, i.e., 54%, whereas 46% were single. In our study sample, the majority of the respondents were found to be between 41 and 50 years of age bracket followed by 50 and above (28%), 31–40 (23%), 20–30 (14%) and less than 20 (4%). The description of the respondents' profile is reported in Table 1.

Reliability analysis

Table 2 shows the test for reliability and Cronbach's alpha values to measure the internal consistency of the data items. Hair et al. (1998) suggest that reliability analysis shows the consistency among the measures of the same thing, while it is also necessary for data validation (Nunnally 1978). In our case, Cronbach's alpha value ranges from 0.63 to 0.84 satisfies the minimum criteria of 0.60 (Hair et al. 1998). Thus, our construct measures are reliable, and the study can proceed with further analysis. The reliability analysis of testing items is shown in Table 1.

Factor analysis (exploratory factor analysis)

Factor analysis is a statistical technique that is used for data reduction. The reason to apply this test is to reduce a large number of items into smaller numbers. Factor analysis helps



researchers to check the variables belongings in the sample data (Emory and Cooper 1991). Since our questionnaire items were adapted from past literature, this study first used exploratory factor analysis (EFA) to validate the dependent and independent variable constructs. This approach is in line with past studies when a measurement instrument is adapted from previous literature and tested on the different target populations (see Chandio et al. 2013; Ali and Raza 2015; Amin 2011; Adil 2015; Afshan and Sharif 2016; Awan and Bukhari 2011; Souiden and Rani 2015 and many more). In addition, the principal component analysis is used to confirm the construct validity of the items, which is also an essential feature of factor analysis. In our case, a total of 28 items was loaded in factor analysis related to Islamic personal financing and its determinants. These 28 items are categorized into six factors: the intention to use Islamic personal financing, social influence, attitude, pricing of Islamic personal financing, religious obligation, and government support.

Furthermore, this study uses Hair et al. (1998) guidelines to assist the theoretical significance of factor loadings. They suggest that the factor loading value of each factor should be 0.30 or more for a sample of 350 or greater. In our findings, factor loadings ranging from 0.54 to 0.82 satisfy the minimum criteria and are appropriate for factor analysis. This methodology is in line with past studies (Raza and Hanif 2013; Ali and Raza 2015; Raza et al. 2015). Thus, the results of factor analysis are reported in Table 3.

Kaiser–Meyer–Olkin and Bartlett's tests of sampling adequacy

Table 4 represents the value of KMO and Bartlett's test of sphericity. The KMO value indicates the sampling adequacy of the data while it is also referred to as a measure of sampling adequacy (MSA). In the data set, the KMO statistic shows the variables, which can explain the other variables. The threshold values for sampling adequacy is; below 0.50 as "Unacceptable", 0.50–0.59 as "Miserable", 0.60–0.69 as "Acceptable", 0.70–0.79 as Good, 0.80–0.89 as "very good" and 0.90 or higher as "Marvelous" (Kaiser 1974). In addition, Bartlett's test of sphericity statistic is used to confirm the null hypothesis, whether the correlation matrix is a diagonal matrix or not. In this sense, principal components analysis required high correlations, whereas a lower probability value (i.e., less than 5%) with a higher test statistic value rejected the null hypothesis.

In our case, the value of KMO is 0.71, which satisfies the minimum criteria for sampling adequacy. At the same time, it further signifies that each factor contains sufficient items for making groups in factor analysis. Furthermore, the probability value of Bartlett's test of sphericity is 0.000, which indicates that the correlation between the variables is

adequate at a 5 percent level of significance and is sufficient for factor analysis.

Measurement model analysis

Confirmatory factor analysis is considered the most direct and appropriate technique for structural equation modeling (SEM). The researcher sets a statistical model in this modeling method, while the SEM approach analyzes how well this study can predict the hypothesized model. Therefore, if the SEM model indicators signify the proposed model according to the criteria applied, then the proposed model is only confirmed among the several different possible models (Hair et al. 2006).

The validity of Islamic personal financing dimensions is determined using standard factor loadings in AMOS 21. Our analysis's confirmatory factor analysis (CFA) factor loadings ranged from 0.52 to 0.94 for the Islamic personal financing model. Since the estimations show that on each dimension, the factor loading of each item is more than 0.50, which further establishes the convergent validity for the dimension of Islamic personal financing dimension and assures the evidence of construct validity (Hair et al. 1998). In addition, the results of the goodness of fit test for our measurement model is satisfactory. According to Table 5, the GFI=0.93; AGFI=0.91; NFI=0.88; CFI=0.94; TLI=0.93 and the RMSEA value is 0.041. All these model fit indicators meet the minimum criteria of the recommended threshold level. Therefore, the 22-items in our CFA model of Islamic personal financing best fit the sample data among the observed and un-observed constructs (Byrne 2013). The results of CFA model fitness are reported in Table 5.

To establish the psychometric properties of the measurement model, the convergent and discriminant validity test was employed in addition to reliability. In this regard, this study applied CR (composite reliability) and the AVE (average variance extracted) within the proposed model. The minimum threshold level for CR is 0.60, while AVE must be higher than 0.50. As reported in table-6, the CR and AVE statistics satisfy the minimum threshold level. Hence, all our constructs of the proposed model established sufficient reliability and convergent validity. Additionally, the Fornell and Larcker (1981) criteria were adopted to ensure the discriminant validity of the study model. In Table 6, the diagonal values are the square root of AVE compared to the inter-construct correlation (off-diagonal values). The square root of AVE is greater than the correlation of each factor with the other factor. Therefore, the discriminant validity is established for the sample data.



Structural equation modeling

The structured model of Islamic personal financing is applied to estimate the parameters. Our study model contained five constructs: attitude, social influence, pricing on Islamic personal financing, religious obligation, and government support. The dimensions of attitude are measured by 6 items, social influence is measured by 3 items, pricing on Islamic personal finance products is 4 items, the religious obligation is measured by 3 items and government support is measured by 3 items. The purpose of explaining the structure model is to test the influence of selected constructs on the intention of the customer to use Islamic personal financing in Pakistan. In addition, Fig. 1 shows the causal model of the study to test the hypothesis that the modified TRA model influenced the intention to use Islamic personal finance products.

Table 5 further indicates that our structured model's model fit is acceptable and the structured model is parsimonious. The model fit indicators qualify the minimum cutoff level to accept the fitness of our structured model because GFI=0.92; AGFI=0.90; NFI=0.86; CFI=0.92; TLI=0.91 and the RMSEA value is 0.047. In addition, if the CFI and NFI values are close to 1, then the hypothesized model is considered an adequate fitness to the sample data (Bentler 1990; Hair et al. 2006).

Hypothesis testing

The results of hypotheses testing between Islamic personal financing constructs and the customer intention to use is presented in Table 7. The standardized regression weights along with their corresponding p -values, have been reported. The findings suggest that attitude has a positive ($\beta=0.147$) but an insignificant (p -value=0.504) impact on the intention to use Islamic personal financing. This means an individual's positive attitude will increase one's intention to use Islamic personal financing, but not significantly. The findings are also in line with the previous studies by (Amin et al. 2011; Yuserrie et al. 2004; Taib et al. 2008). Social influence has a positive ($\beta=0.003$), but an insignificant (p -value=0.978) impact on the intention to use Islamic personal financing. It signifies that the social influence can increase the intention to use Islamic personal financing but not significantly. This positive finding is in line with past studies (Amin et al. 2011; Othman and Rahman 2014; Chau and Hu 2001; Lewis et al. 2003). The possible reason for the insignificant relationship could be that Islamic bank customers are more interested in fulfilling their financial needs than their influence on their social environment and their attitude toward Islamic personal financing. As expected, the pricing of Islamic personal financing has a negative ($\beta=-0.705$) and significant (p -value=0.005) impact on the intention to use

Islamic personal financing. This negative effect supports the previous empirical studies (Amin et al. 2008; Rahman 2005; Abdullah and Dusuki 2006; Amin et al. 2011). This means if an Islamic bank lowers its pricing on Islamic personal financing, then there exist more chances to use this service by the customers. In addition, pricing on Islamic personal financing was the most influential factor in predicting Islamic personal financing. Amin et al. (2011) also found the pricing construct as the most contributing factor.

The religious obligation has a negative ($\beta=-0.170$) impact on the intention to use Islamic personal financing. In addition, this negative relationship is also significant (p -value=0.089). This result signifies that the more negative religious obligation, the less likely customers will use Islamic personal financing. The outcome is in line with previous research by (Amin et al. 2011). As for government support, the relationship with intention to use Islamic personal financing is positive ($\beta=0.497$) and has a significant (p -value=0.048) impact. This outcome is in line with past studies (Rosly 2008; Haron 2005; Amin 2006). Rosly (2005) and Haron (2005) further highlighted that government support highly influences the demands for Islamic banking products. Overall, our estimations confirm that three hypotheses, H3, H4, and H5, are accepted, whereas H1 and H2 are rejected. The results of hypothesis testing are reported in Table 7.

Conclusion

This study is the first attempt in Pakistan to measure the intention of the Islamic bank customer to use Islamic personal financing. The main objective of this study is to test the TRA model in the context of Islamic personal financing in Pakistan with the inclusion of three new but relevant constructs. Results from regression analysis indicate that pricing and religious obligation have a negative and significant impact on the intention to use Islamic personal financing. In contrast, government support has a positive and significant impact on using Islamic personal financing. In addition, attitude and social influence have a positive but insignificant effect on using Islamic personal financing.

This study provides some theoretical implications for researchers and managerial implications for Islamic bank managers and government policymakers. Our findings report that pricing is the most contributing factor to predict one's intention to adopt Islamic personal financing. This means Islamic bank managers should understand the need for pricing elements by adopting a "fair pricing policy." This can be done by lowering the financial charges and payment holiday facility on Islamic personal financing.

Government support may also play a significant role in increasing the intention of the Islamic bank customer toward



Islamic personal financing. The government of Pakistan should consider the importance of Islamic personal financial services for Islamic bank customers and facilitate them by providing an environment where Islamic banks can attract customers' intention of promoting this facility.

Policy implications

This research is certain that policymakers and Islamic bank managers may also understand the need for personal financing under the guidelines of Sharia rules. They can further offer Islamic personal financial products that have the underlying benefits of establishing a caring society, encouraging good deeds, mobilizing wealth, and helping the customers that require financial solutions. Additionally, this will help the government increase the confidence of Islamic bank customers, improve financial institutions' performance and provide significant changes in the overall economy. On the other side, the Islamic bank customers' quality of life with their religious belief increases, which helped them to practice their religion with the Islamic financial system.

Study limitations

Likewise, with other research, this study also has some limitations. Since the study sample consisted of a convenience sampling technique that is generally not representative of the target audience, in this sense, the results of our analysis cannot be generalized to the overall population of Pakistan. Second, the study aims at the customer's behavioral intention toward Islamic personal financing under the framework of the TRA model. Including the actual behavior

with additional constructs, namely, rewards, risk, image, and service quality, may be valuable to the literature. Third, there may be a possible relationship of attitude with the TRA model's external constructs, which are not included due to the study objectives. Therefore, it will be an interesting investigation to explore the mediating role of attitude with customers' behavioral intention in the context of Islamic finance. Fourth, data were collected during bank working hours where the customers are supposed to be rushed. So, the chance of inaccuracy in data collection may arise.

Contributions to the literature

This study is the first-ever study conducted in Pakistan to examine the intention to use Islamic personal financing by using the TRA model. Globally, very few studies have been undertaken on Islamic personal financing, leaving a research gap for further studies. The present study has also laid a foundation for future researchers to measure the intention of other Islamic bank products. Thus, this study provides adequate information to the ongoing literature of Islamic finance.

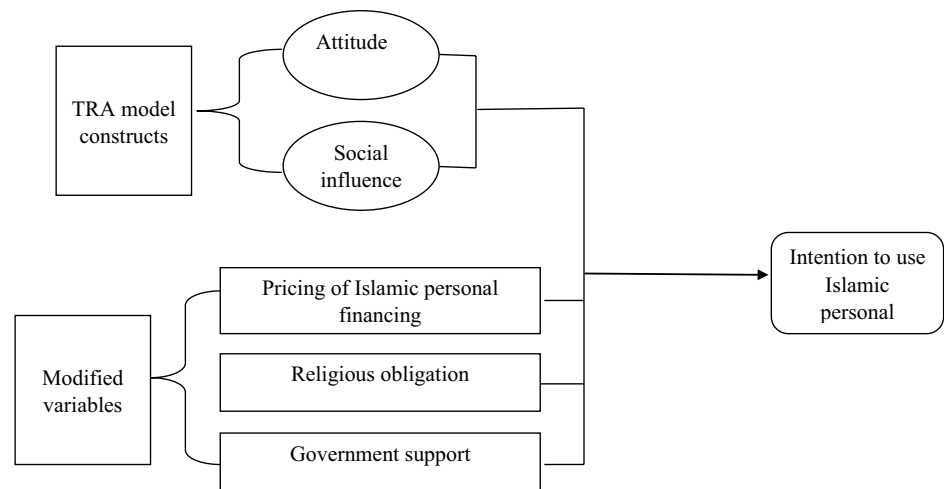
Appendix

Appendix 1

See Fig. 1.



Fig. 1 Conceptual model framework *Source:* Adopted by Amin et.al. (2011)



Appendix 2

See Tables 1, 2, 3, 4, 5, 6, 7.

Table 1 Profile of respondents *Source* Author's estimation

Demographic items	Frequency	Percentile (%)
<i>Gender</i>		
Male	293	62
Female	178	38
<i>Marital status</i>		
Single	219	46
Married	252	54
<i>Age</i>		
Less than 20	19	4
20–30	67	14
31–40	109	23
41–50	145	31
50 and above	131	28

Table 2 Results of reliability analysis *Source* Author's estimation

Variables	Items	Cronbach's alpha
ITU	5	0.765
ATT	6	0.840
P	6	0.707
RO	5	0.733
SI	3	0.672
GS	3	0.654
Overall	28	0.633



Table 3 Rotated component matrix. *Source* Author's estimation

Factor loadings						
Items	Attitude	Intention to use Islamic personal financing	Pricing of Islamic personal financing	Religious obligation	Social influence	Government support
ATT1	0.74					
ATT2	0.70					
ATT3	0.68					
ATT4	0.81					
ATT5	0.82					
ATT6	0.71					
ITU1		0.82				
ITU2		0.79				
ITU3		0.75				
ITU4		0.64				
ITU5		0.56				
P1			0.62			
P2			0.54			
P3			0.65			
P4			0.71			
P5			0.70			
P6			0.60			
RO1				0.80		
RO2				0.75		
RO3				0.71		
RO4				0.61		
RO5				0.60		
SI1					0.80	
SI2					0.74	
SI3					0.75	
GS1						0.71
GS2						0.74
GS3						0.73

Table 4 KMO and Bartlett's test *Source* Author's estimation

KMO measure of sampling adequacy	0.71
Bartlett's test of sphericity approx chi-square	3574.401
Degree of freedom	378
Probability	0.000

Table 5 Measurement model fitness

Goodness-of-fit measures	GFI	AGFI	NFI	CFI	TLI	RMSEA(PCLOSE)
Threshold values	≥ 0.85	≥ 0.80	Close to 1	≥ 0.90	Close to 1	≤ 0.05 (> 0.05)
Measurement model	0.93	0.91	0.88	0.94	0.93	0.041 (0.98)
Structural model	0.92	0.90	0.86	0.92	0.91	0.047 (0.81)

Measurement model-22 items; Structural model-19 items



Table 6 Construct reliability, convergent and discriminant validity *Source* Authors estimation

	CR	AVE	SI	ATT	RO	P	GS
SI	0.780	0.597	0.773				
ATT	0.801	0.688	0.201	0.829			
RO	0.764	0.572	0.194	0.293	0.756		
P	0.815	0.691	0.187	0.306	0.470	0.831	
GS	0.796	0.603	0.562	0.470	0.131	0.410	0.777

Bold and italic diagonal values are the square root of AVE of relevant constructs

Table 7 Hypothesis testing

Hypothesis	Variables	Regression path	SRW	p-value	Remarks
H1	Attitude	ATT---> ITU	0.147	0.504	Not supported
H2	Social influence	SI---> ITU	0.003	0.978	Not supported
H3	Pricing	P---> ITU	-0.705	0.005***	Supported
H4	Religious obligations	RO---> ITU	-0.170	0.089*	Supported
H5	Government support	GS---> ITU	0.497	0.048**	Supported

SRW Standardized regression weights

Dependent variable = Intention to use (ITU)

*** $p < 0.001$, ** $p < 0.05$, * $p < 0.10$

Appendix 3

Questionnaire items

Attitude

1. Choosing Islamic personal financing is a good idea.
2. Choosing Islamic personal financing is useful.
3. Choosing Islamic personal financing is beneficial.
4. I appreciate Islamic personal financing.
5. Islamic personal financing is one of the best Islamic banking products.
6. Islamic personal financing is positive.

Social influence

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

Religious obligation

1. Islamic personal financing is in line with an Islamic philosophy of doing banking business.
2. Islamic personal financing is based on Islamic principle business implementation.
3. An introduction of Islamic personal financing is based on al-Quran and Hadith.

4. Islamic personal financing is free from riba.
5. Islamic personal financing is free from fraud.

Pricing of Islamic personal financing

1. Service charges are higher.
2. Penalty for Islamic personal financing is higher.
3. Fees obtained from Islamic personal financing are higher.
4. Islamic personal financing offers unjust pricing.
5. Monthly payments for Islamic personal financing are higher.
6. Overall, Islamic personal financing is higher.

Government support

1. State bank of Pakistan encourages both the use of Islamic and conventional banking financing facilities.
2. The Pakistan Government provides incentives to the Islamic banking industry.
3. The Pakistan Government guarantees the stability of Islamic finance industry.

Intention to use

1. I am interested to use Islamic personal financing.
2. I am interested to use Islamic personal financing in the future.
3. I will use Islamic personal financing someday.
4. I like to use Islamic personal financing.



5. I will definitely recommend Islamic personal financing to others.

Declarations

Conflict of interest On behalf of all authors, the corresponding author states that there is no conflict of interest.

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