

Running head: ISLAMIC BANKING IN GHANA

Ashesi University College

Patronage Prospects of Islamic Banking and Finance in Ghana

By

Aba Wilmot

Undergraduate thesis submitted to the Department of Business Administration, Ashesi University College. Submitted in partial fulfillment of the requirements for the award of Bachelor of Science degree in Business Administration

Supervised by: Anthony Essel-Anderson

April 2017

Declaration

I hereby declare that this undergraduate thesis is my original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:

Candidate's Name: Aba Wilmot

Date: 17/04/2017

I hereby declare that the preparation and presentation of this undergraduate thesis was supervised in accordance with the guidelines on supervision of theses established by Ashesi University College.

Supervisor's Signature:

Supervisor's Name: Anthony Essel-Anderson

Date: 17/04/2017

Acknowledgement

I am very thankful to God Almighty for granting me grace and successfully seeing me through the completion of this project.

I am also very grateful to my beloved mother, Florence Pepra, for the unconditional love and support she has showered me all my life. I say a special thank you to my friend, Francis Akwetey, for providing me with a brilliant idea to work on for my capstone project.

I express my heartfelt appreciation to my supervisor, Mr. Anthony Essel-Anderson for the time spent on my work, and the feedback rendered from time to time. To Mr. Eric Ocran who acted as my unofficial supervisor, I say thank you.

Thank you to my friends Melissa, Valena, Valerie, Kelvin and Martha for the help with data collection and analyses for the purposes of this thesis.

I am also thankful to my brother Ebenezer Wilmot Jnr, and to all my relatives who have supported me through my academic journey and in many other ways; Augustina, Gloria, Vida, Christiana, Channie, Ruby, Tsiaki and Auntie Ntsoo.

God richly bless you all.

Abstract

This research studied the Ghanaian banking consumers' awareness of, and willingness to patronize Islamic banking in Ghana. The study sought to find out whether a relationship existed between consumers' religious and educational backgrounds, and their awareness of, and willingness to patronize Islamic banking. The study also ascertained the level of consumer involvement for Islamic banks in Ghana, and what factors motivated people's choice for Islamic banks.

With the use of questionnaires and quantitative tools for analyses, the study revealed that that the levels of awareness of, and willingness to use Islamic banks is low among Ghanaians. It was also revealed that Muslims were not more willing to use Islamic banks than non-Muslims. On the other hand, people who had had tertiary education were more willing to patronize Islamic banking than consumers who did not have that level of education. In addition, consumer involvement for Islamic banks was also found to be low in Ghana. The research findings show that the biggest motivating factor for the Ghanaian to save with an Islamic bank is because of the Islamic bank's aim of entrepreneurship promotion, whilst the biggest motive to borrow is because of the bank's interest-free nature.

It is therefore recommended that Islamic banks who aim to set up in Ghana do so with people who have attained tertiary education as their target market. They should also focus on their interest-free nature and entrepreneurship promotion features as their differentiating factors.

Table of Contents

Declaration	ii
Acknowledgement	iii
Abstract	iv
CHAPTER 1	1
INTRODUCTION.....	1
1.1 Background.....	1
1.2 Problem Statement.....	3
1.3 Research Questions.....	5
1.4 Research Objectives	7
1.5 Justification/Significance of Study.....	7
1.6 Theoretical framework	8
1.7 Scope of Study.....	10
1.8 Methodology.....	10
1.9 Organization of Study.....	12
CHAPTER 2	13
LITERATURE REVIEW	13
2.1 The Islamic Banking and Finance Model.....	13
2.2 Review of Theoretical Literature.....	14

2.3 Review of Empirical Literature	18
2.3.2 Level of Education Influences Responsiveness to Islamic banking	20
2.2.4 Awareness and Profitability as Key Factors of Choosing Islamic Banks	22
2.4 Conclusions from Literature Review	23
CHAPTER 3	24
METHODOLOGY	24
3.1 Type of Study	24
3.2 Sampling Population.....	24
3.3 Sample Size	25
3.4 Sampling Method	25
3.5 Questionnaire Design	25
3.6 Data Analysis.....	26
3.7 Limitations.....	31
CHAPTER 4	32
DATA ANALYSIS AND DISCUSSION.....	32
4.1 Demography of Respondents.....	32
4.2 Ascertain Level of Awareness of Islamic Banking among Respondents.....	34
4.3 Ascertain Consumers' Willingness	40
4.4 Assessing the degree of Consumer Involvement of Islamic Banking and Finance among banking consumers in Accra.....	44

4.5 Motives for Choosing to Bank with an Islamic Bank	48
CHAPTER 5	51
CONCLUSIONS AND RECOMMENDATIONS	51
5.1 Introduction	51
5.2 Key Findings and Conclusions	51
5.3 Recommendations	53
5.4 Further Studies	54
Appendix I	55
Questionnaire	62
References	55

List of Tables

1. Respondents' Employment Background.....	35
2. Consumers' Level of Awareness.....	36
3. Chi-square results for hypothesis 1 (i).....	38
4. Chi-square results for hypothesis 1 (ii).....	41
5. Consumers' Levels of Willingness.....	42
6. Chi-square results for hypothesis 2 (i).....	44
7. Binary logistic regression results.....	47
8. R square results for Consumer Involvement.....	47
9. Chi-square results for Consumer Involvement.....	48
10. Frequency Table of Motives for Saving with an Islamic bank.....	49
11. Frequency Table of Motives for Borrowing with an Islamic bank.....	52

CHAPTER 1

INTRODUCTION

1.1 Background

On the drive to economic growth, both the public and private sectors of an economy play key roles for success. The government (public sector) plays this role by usually sourcing funds from donations and grants, taxes, the sale of securities, among others. Businesses in Ghana's private sector, which in many expressed opinions should be the economy's engine of growth (Dawson-Amoah, 2015), usually finance their activities by taking bank loans. According to a report by PricewaterhouseCoopers, about 90% of annual businesses registered in Ghana are Small and Medium Enterprises (SMEs). The same report communicates that a leading problem facing these enterprises is "limited access to finance and high cost of funding" (PWC, 2013).

A study conducted by Akowuah (2011) showed that increases in the real lending rate in Ghana leads to a fall in the demand for credit in the long run and vice versa. Thus, at a present average loan interest rate of 26% from a conventional commercial bank in Ghana (Trading Economics, 2016), high cost of financing businesses with loans is undoubtedly a major constraint for viable start-ups in the country.

Unlike conventional banks, Islamic Banking and Finance (IBF) forbids the charge of interest on loans (known as *riba* in Islamic terms) as a means of strictly adhering to the laws of the Quran (Chong, et. al, 2009). This is in response to the order by Allah that "O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful" (Quran 3:130). The Quran views the charge of interest as unethical, and thus, prohibits it among all people who respect and believe in Allah. Under

Islamic Banking and Finance, “a commercial transaction is permissible when it is devoid of interest (riba), uncertainty (gharar), gambling (maisir), and prohibited (non-halal) activities such as prostitution and the sale of pork and alcohol” (Uddin, 2015).

It is recorded that operations under Islamic Banking and Finance around the globe heightened in the 1970s (Ahmad Alharbi, 2010). The Islamic Development Bank, for example, started operations in 1977 (Ahmad Alharbi, 2010). Between 1992 and 2001, the bank’s paid-in-capital had increased to about USD 20.55 billion (Ahmad Alharbi, 2010). Ernst & Young, a consultancy and accounting firm, estimates that Islamic banking assets grew at an annual rate of 17.6% between 2009 and 2013, and will grow by an average of 19.7% a year to 2018 (The Economist, 2014).

Lately, conventional banks have introduced interest-free financial products known as “Islamic windows” to serve clients because of the model’s global recognition as an international financial system (Omoh, 2011). Stanbic IBTC Nigeria for example, provides Islamic banking products known as Imaan Current Account and Imaan Transact Plus (Stanbic IBTC PLC, 2015).

Because of the growth of Islamic Banking and Finance, the rising Muslim population and the financing gap in Ghana, many hold the assertion that Islamic Banking and Finance will be a competitive match against conventional banks in Ghana based on their interest-free feature. The Oxford Business Group communicates this view as follows: “With an expanding population, a solid longer-term economic outlook and a growing middle class eager for greater financial access, fundamentals suggest there is room for both conventional and Islamic products in the [Ghanaian] market” (Oxford Business Group, 2015).

In Ghana presently, an Islamic Banking and Finance model in operation is in the form of a microfinance known as *Ghana Islamic Microfinance*. The organization, which was founded in 2010, aims to “provide competitive and ethical compliant interest free microfinance services to Muslim customers in Ghana” (Ghana Islamic Microfinance, 2014). In March 2014, it was reported that two applications to establish Islamic Banks had been put before the Bank of Ghana, and measures were being put in place to review the Banking Act, 2004, (Act 673) (Graphic Business, 2014). This was to incorporate regulations for Islamic Banking and Finance in the country (Graphic Business, 2014).

Despite these developments, a major challenge for Islamic Banking and Finance is the lack of knowledge by players in the financial industry (Quansah, 2015). Quansah (2015) concludes from his research on “Prospects of Islamic Banking and Finance Model in Ghana” that there is a low level of understanding of the principles of IBF among Ghanaian bankers. Therefore, information about the principles and potentials of IBF should widely communicated in the corporate world to make Ghanaian bankers more equipped with Islamic Banking and Finance knowledge.

1.2 Problem Statement

Shafiu Abdullahi (2013) in his quest to explore the possibilities of introducing Islamic Banking and Finance into West African countries based his conclusions on the demographics, socio-cultural and economic conditions of the countries. He explains for the Ghanaian context, that, because of the high rate of economic development, the establishment of an Islamic microfinance institution and the cordial relationship that

exists among religious groups, Ghana “is a fertile environment for the establishment of big Islamic banks” (Abdullahi, 2013).

In addition, Quansah (2014) draws his conclusions about the prospects of Islamic Banking and Finance in Ghana based on bankers’ knowledge of the model, the outlook from support and regulatory institutions and macroeconomic trends. This led him to the conclusion that “the prospects of the IBF model in the near to medium term is poor although in the long term, there could be changes that could make the prospects good once it is regularized in Ghana” (Quansah, 2014).

However, research done by Anthony Di Benedetto (1999) to identify the key success factors of a new product launch, named marketing research, as one of the key factors that promote successful product launches on the market. Marketing research, in context, is the process of finding out if there is market for one’s product.

In their research conclusion also, van Kleef, van Trijp and Luning (2005) stated that incorporating the “voice of the consumer” in the early stages of a product development is a critical success factor for the product development (van Kleef, et. al., 2005).

Abdullahi (2013) and Quansah (2014) have, however, underestimated the strength of the consumer’s input by making conclusions as to whether the prospects of launching Islamic Banking and Finance in Ghana is positive or negative without the consumer’s perspective. As established by researches of Di Benedetto (1999) and van Kleef, et. al., (2005), consumers’ responses to a particular product helps the developer understand the real needs of the consumers in order to either reinvent the product, or terminate the launch eventually.

In addition, Muhamad and Mizerski (2012) found out from their research conducted on consumer attitudes in the market that the responsiveness to a product on the market is greatly influenced by the individual's religious motivation. They found that an individual's religious motivation appeared to be the most credible factor in describing one's religious influences on consumer behaviors in the market-place. They concluded, "Individuals who are intrinsically motivated towards their religion are characterized as having a greater tendency to fully integrate their religion into their life, and adhere to the religion because it is perceived to be their prime objective in their life" (Muhamad and Mizerski, 2012). Thus, in studying the prospects of a religious product as Islamic banking, researchers should be concerned about how consumers' religious affiliation will affect their patronage decision. In the Ghanaian context especially, researchers should be interested in the attitude of the 82.4% (Ghana Embassy, 2016) non-Muslim population towards Islamic Banking.

This research attempts to fill the gap in the above researches on the prospects of Islamic Banking and Finance by studying the Ghanaian consumers' (both Muslim and non-Muslim) responsiveness to Islamic Banking as a product on the Ghanaian market.

1.3 Research Questions

1. Is the level of awareness of the Islamic Banking and Finance model dependent on the banking consumer's religion or level of education?
 1. H_0 = The level of awareness of Islamic Banking is not dependent on one's religious background

H1 = The level of awareness of Islamic Banking is dependent on one's religious background

2. H0 = The level of awareness of Islamic Banking is not dependent on one's level of education

H1 = The level of awareness of Islamic Banking is dependent on one's level of education

2. Does the Ghanaian banking consumer's willingness to bank at zero interest rate depend on his religion or level of education?

1. H0 = Consumers' willingness to use Islamic Banking is not dependent on their religious background

H1 = Consumers' willingness to use Islamic Banking is dependent on their religious background

2. H0 = Consumers' willingness to use Islamic Banking is not dependent on their level of education

H1 = Consumers' willingness to use Islamic Banking is dependent on their level of education

3. What is the motive behind the willingness/unwillingness to bank at zero interest rate?
4. Does the level of awareness of Islamic Banking and Finance influence the purchase decisions of banking consumers in Accra?

1.4 Research Objectives

1. To assess whether the level of awareness of Islamic Banking and Finance from banking customers' (in Accra) point of view is dependent on the consumer's religion or level of education. This is presented in the following hypotheses:
2. To assess whether the banking consumers' willingness to lend and save money at zero interest rate depends on their religion or level of education. This is presented in the following hypotheses:
3. To assess the banking consumers' possible responsiveness to Islamic Banking and Finance activities by finding out what determinants of demand and supply motivate/demotivate their willingness or unwillingness.
4. To assess the degree of consumer involvement of Islamic Banking and Finance among banking consumers in Accra.

1.5 Justification/Significance of Study

As observed by Gerrard and Cunningham (1997), literature on Islamic banking principles in countries with small Muslim populations is low. In Ghana, a country with a Muslim population percentage of 17.6 (Ghana Embassy, 2016), it is proven that many bankers do not know about the IBF model although it is gaining international recognition (Quansah, 2015). Hence, an attempt is made to fill this gap by adding on to the literature available on Islamic Banking on the Ghanaian environment specifically. An addition to the academic literature on Islamic Banking in Ghana will also give students in the fields of Banking and Finance more literature to fall on in their academic researches.

News from Ghanaian media in 2014 communicate that two Islamic Banks expressed interest in doing business in Ghana (Quansah, 2015). The findings of this research will help Islamic banks that have expressed interest in establishing in Ghana, as well as conventional banks who wish to start operating Islamic windows, make decisions as to whether their businesses will thrive in the Ghanaian environment. The research will also provide them with information regarding which consumers to target, and which strategies to use to attract the targets identified.

1.6 Theoretical framework

The Classical Theory of Interest explains that interest rate is the equilibrium point of demand for investment and willingness to save (Keynes, 1935). According to the theory, “interest rate is the ‘price’ of investible resources as investment represents the demand for these resources and saving represents the supply” (Keynes, 1935). Thus, as price of a commodity is fixed at that point, where the demand for it is equal to the supply, interest rate also lies at the point where demand is equal to supply based on market forces (Keynes, 1935).

The theory of demand states “the higher the price, the lower the demand, and the lower the price, the higher demand”. The theory of supply also implies that at a higher price, suppliers are willing to supply more, and less at a lower price (Whelan & Msefer, 1996). With interest rate as price, investment as demand, and savings as supply, this implies that people will be willing to save more at a higher interest rate, and less at a lower interest rate. On the other hand, people will be willing to demand more for investment at a lower interest rate, and demand less at a higher interest rate.

In studying Islamic banking, which offers interest rate at zero (0%) on both savings and investment, it is realized that the theory of demand and supply will come into play. However, since price is not the only determinant of demand and supply, this research explores what other determinants or factors motivate consumers to make a choice for Islamic banking.

“Consumer involvement is defined as a state of mind that motivates consumers to identify with product/service offerings, their consumption patterns and consumption behavior” (Sahney, 2013). As stated by Schiffman “Involvement is a heightened state of awareness that motivates consumers to seek out, attend to, and think about product information prior to purchase” (Sahney, 2013). The level of consumer involvement depends on the type of purchase, and how important the product is to the consumer. Thus, a consumer has low involvement when he is making habitual decisions such as buying household items that are purchased regularly. High involvement decisions however, take time and require research. The consumer will not make the decision in an instant, but will compare products to eliminate risk before making his choice (Sahney, 2013).

One major factor that influences consumer involvement is the product factor; where the perceived risk in the purchase of a good or service is high (Hoffman, 2008). Thus, for a risky endeavor as taking a loan from a bank, or trusting a bank to keep your savings safe, there needs to be a high level of consumer involvement.

In studying Islamic Banking, this research seeks to find out whether consumers actually find a lot of information and know about the model, before making patronage decisions, i.e. whether consumer involvement is high.

1.7 Scope of Study

The paper studies Ghanaian banking consumers (Muslims and non-Muslims) based in Accra with respect to their possible responsiveness to Islamic Banking and Finance. The study focuses on banking consumers because these consumers have bank accounts and are aware of the basic aspects of finance and the risks associated with it (Masvoud & Choudary, 2014). The study focuses on individual banking consumers and not organizations, in the Greater Accra region. The Greater Accra region was chosen because the capital region has a vast diversity of people as all of the major ethnic groups of the country are represented in this region (Government of Ghana, 2016). In addition, most banks in the country are attracted to the city, thus, have their headquarters and a large customer-base in the region.

1.8 Methodology

The research used data collected from primary sources. The primary data was collected using the quantitative method of research by administering questionnaires to 150 respondents. The respondents were selected using the non-probability sampling method. Although it would have been ideal to use a probability sampling method such as simple random sampling, the absence of a sampling frame for the banking consumers in the whole region made this impossible. Thus, the researcher employed the method of randomly approaching people at five different locations in the region.

The researcher aimed at adequately representing the Muslim population in the region in the sample. The Muslim population in the Region is 10.2%, thus, at each of the five locations surveyed, the researcher visited mosques to talk to at least three Muslims

(leading to a 10% Muslim representation in the sample). As such, the proportion of Muslims to non-Muslims in the region is fairly represented in the sample. The respondents were selected from five suburbs in Accra namely Tetteh Kwashie roundabout (Accra Mall area), Kaneshie, Madina market, Lapaz and Korle-Bu. The locations chosen were as a result of the vast and diverse presence of people and organizations. The locations have different people entering and exiting them for shopping, relaxation, healthcare and businesses purposes. These provided the researcher the opportunity of meeting banking consumers of different backgrounds.

In order to ascertain groups of certain characteristics and demography, which have a kind of attitude towards Islamic banking, the chi-square test of independence was used. This is because it tests the probability of independence of a distribution of data (Ling, 2008). This was used to find out whether, as established in other literature, Muslims were more aware of and willing to do business with Islamic banks than non-Muslims, among other hypotheses.

A binomial logistic regression is a model that is used to predict the probabilities of the different possible outcomes of a categorically distributed dependent variable, given a set of independent variables (which may be real-valued, binary-valued, categorical-valued, etc.) (Greene, 2012). In proving whether consumer involvement is high in terms of making patronage decisions for Islamic Banking, a binomial regression is run. The problem is stated as follows: What is the odds that a banking consumer who is aware of Islamic banking will be willing to patronize Islamic banking than one who is not aware of Islamic banking? The use of a binomial logistic regression for the hypothesis is possible

because the independent variable “Awareness” has only two responses terms—aware and unaware.

The model $\text{logit } [p(\text{Will}=1)] = \alpha + \beta_1\text{Aware} + \beta_2\text{Educ} + \beta_3\text{Reli}$ is used to estimate the relationship between the consumer’s patronage decision and level of awareness. In the model, the consumer’s educational background and religious affiliation is controlled for. This is to aid a more reliable probabilities estimator between the consumer’s patronage decision and level of awareness. The variables in the model are explained below:

Will = Consumers’ willingness to save with an Islamic bank

Aware = Consumers’ level of awareness of Islamic banking

Educ = Consumers’ level of education

Reli = Consumers’ religious affiliation

β_1 = the coefficient of the independent variable, awareness

β_2 = the coefficient of the independent variable, education

β_3 = the coefficient of the independent variable, religion.

1.9 Organization of Study

This study is organized into five chapters. The first chapter introduces the study by giving the reader the background of the topic, research objectives and questions, scope of the study and the methodology used. The second chapter reviews relevant theoretical and empirical literature on selected aspects of the topic. The third chapter explains the methodology that was used to collect and analyze data. The analyses of data and findings are presented in the fourth chapter. The final chapter summarizes the research, and provides conclusions and recommendations of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 The Islamic Banking and Finance Model

Islam not only defines a spiritual way of life, but the way by which people should live in all spheres of life including economics and finance, thus, the existence Islamic Banking and Finance. This is coherent with the view that, “a spiritual belief that does not deal with social behavior, economic relations and international organizations is as erroneous as the social doctrine that does not consider spiritual belief, morality and behavior” (Islamic Society of Clemson, 2010).

Islamic banking and finance is a financial system that is coherent with principles of the Quran or Shariah law (Roy, 1991). One widely known characteristic of Islamic Banking and Finance is its interest-free component. However, that is not the only image of the financial system (Bellalah & Masood, 2013). Under Islamic law, a transaction must be free of *riba* (interest), *gharar* (uncertainty) and *maysir* (gambling) (Chong, et. al, 2009).

Gharar refers to “any transaction of probable objects whose existence or description are not certain, due to lack of information and knowledge of the ultimate outcome of the contract or the nature and quality of the subject matter of it” (Uddin, 2015). “*Gharar* occurs in transactions where the subject matter, the price, or both, are not determined and/or are fixed in advance” (Uddin, 2015). Therefore, speculative activities in capital market, derivatives instruments and short-selling contracts are typical examples of *gharar* and are forbidden under Islamic Banking and Finance (Uddin, 2015).

According to Hussein et.al (2015), Islamic banking principles can be divided into three, namely, the Principles of Equity, Participation and Ownership. According the authors, the Principle of Equity rests on the absence of exploitation of society's less privileged. This is why there is the absence of interests on loans. The Principle of Participation explains that an individual is rewarded only when he has taken risk, and not with the mere passage of time as it is with conventional banking. Hence, any monetary return must be tied to an asset, or risk-taking in a joint enterprise such as partnerships (World Bank, 2015). Thus, for example, when an individual saves with an Islamic bank, he is treated as a shareholder of the bank and receives annual payments when the bank makes profit. Last, the principle of ownership rests on the fact that an individual can sell only what he owns, as such, cannot enter into contracts using assets he is yet to own, as it is with short selling, for example (Hussain et.al, 2015).

In summary, Islamic Banking and Finance is devoid of the charge of interests, is devoid of uncertainty, and aims to promote entrepreneurship and equity in society.

2.2 Review of Theoretical Literature

2.2.1 Interest as Price

According to the classical theory of interest, interest rate is the "price" of investible resources, as investment represents the demand for these resources and saving represents the supply (Keynes, 1935). In essence, "as more buyers than sellers raises the price of a commodity, so does more borrowers than lenders will raise interest" (Keynes, 1935). To the classical economists, a change in the rate of interest brings about a change in the level of savings (Johnson, 2015). However, as it is in terms of price, there are other

determinants of demand and supply. Keynes (1936) explains in his book *General Theory of Employment, Interest and Money* that income is a determinant of savings. Thus, not only does high interest rate motivate savings but the level of a person's income influences how much they save as well.

On the contrary, and in support of the classical theory, research findings on an *Investigation of the Determinants of Savings and Investment in Nigeria* showed that interest rate, more than income, has an inverse relationship with savings (Johnson, 2015). The author arrived at this by analyzing determinants of savings and investments including consumption rate and the level of GDP. Therefore, in the case of Nigeria, the implication is that interest rate policy rather than income policy would be more vibrant in rekindling savings in the Nigerian economy. This means that Islamic Banking, which provides zero interest, may not serve as a great incentive to save in the Nigerian economy based on the above study.

Venieris and Gupta (1986) of San Diego State University proved that income distribution and socio-political instability were strong determinants of savings. They stated that despite the fact that socio-political instability around the world had increased over the years, savings literature implicitly regarded the socio-political environment as stable. They however believe that socio-political instability introduces an element of uncertainty, which affects one's future level of accumulated wealth, as such, must be considered as an explanatory variable for savings. One of their conclusions was that socio-political instability is one of the reasons poorer countries have a lower savings rate than the rest of the world.

These imply that there are many determinants of savings in an economy (such as income, socio-political stability and income distribution) other than interest rate. The implication of this for Islamic banks is that, despite the fact that they provide no interest on savings for their consumers, there could be other factors that will motivate people to save with them. This study seeks to explore what some of these motivations are in the Ghanaian context.

Drawing from the classical theory of interest and from the demand and supply theory, people are willing to borrow more at lower interest rates. Interest rates in terms of lending means the cost of borrowing or the price the borrower is paying for borrowing. Akowuah (2011) in studying interest rates and the demand for credit in Ghana finds out that interest rates have a positive impact on the domestic demand for credit in the short run and a negative relationship in the long run. This means that “while increases in the real lending rate may not immediately hamper the demand for credit, it may eventually lead to a fall in the demand for credit in the long run” (Akowuah, 2011). In addition, there is a negative relationship between interest rates and demand for credit among Small and Medium Enterprises (SMEs) in Ghana (Amonoo et. al, 2003). The authors of the research suggest that reducing interest rates will thus, increase demand for credit by the poor and SMEs. This implies there may be a high demand for credit from Islamic Banks at interest rates of 0%. This study continues to find out if there are other reasons why the Ghanaian banking consumers will or will not demand credit from Islamic Banks.

2.2.2 Theory of Consumer Involvement

“Consumer involvement can be defined as heightened state of awareness that motivates consumers to seek out, attend to, and think about product information prior to purchase”(Hoffman, 2008). One major factor that influences consumer involvement is the product factor; where the perceived risk in the purchase of a good or service is high (Hoffman, 2008). Thus, for a risky endeavor as taking a loan from a bank, or saving with a bank, there needs to be a high level of consumer involvement. Since consumer involvement is a heightened state of awareness that motivates consumers, this research seeks to find out the level of awareness of Islamic banking which could be a major factor in determining the patronage of the service. The level of consumer involvement depends on the type of purchase, and how important the product is to the consumer. Thus, a consumer has low involvement when he is making habitual decisions such as buying household items that are purchased regularly. High involvement decisions however, take time and require research. For high consumer involvement products, the consumer will not make the decision in an instant, but will seek information about the product (have awareness of the product offering) before making the decision in order to eliminate risk before making his choice (Sahney, 2013). Kewuyemi (2016) studied “Customers’ Awareness, Attitude and Patronage of Islamic Banking in Nigeria” and expresses the above fact as follows: “awareness of a particular product will make a potential buyer of the product seek knowledge about it with a view to gaining complete information about the product. Having gained the knowledge, he will decide whether to buy the commodity or patronize the business.” Following this theory, banking consumers must have a high level of involvement before making the decision to save with an Islamic bank. The study

seeks to find out what the level consumer involvement is for Islamic banking in the Ghanaian environment.

2.3 Review of Empirical Literature

2.3.1 Religious Motivation Influences Responsiveness to Islamic Banking

Gerrard and Cunningham (1997) studied the attitudes of both Muslim and non-Muslim bankers to Islamic banking in Singapore, a country with a 15% Muslim population. By analyzing 190 responses, the researchers found out that although Muslims were more aware of the meaning of fundamental terms in Islam, both Muslims and non-Muslims were almost unaware of the meaning of Islamic financial terms. In addition, the two groups had different attitudes towards the Islamic banking movement, with the degree of difference depending on the nature of the respective matter put to them. For example, 62.1% of Muslims said they would keep their deposits within Islamic banking if an Islamic bank did not make sufficient profits to make a distribution in any year. However, 66.5% of non-Muslims said they would withdraw their deposits in that situation. Last, the researchers found that in selecting banks, non-Muslims than Muslims had a higher desire to select banks that paid a higher interest (Gerrard and Cunningham, 1997). In summary, the study found that Muslims in Singapore were more responsive to Islamic Banking than their non-Muslim counterparts. Thus, religious affiliation was a determinant of banking with an Islamic Bank.

For the methodology, the researchers used 15.3% Muslims and 84.7% non-Muslims just as is represented in the national population census. This was a good decision based on the researcher's aim of generalizing their results. The researchers developed survey forms

and issued them to people who were entering or leaving Singapore's underground system (the MRT). The districts they used were chosen because they not only had a station on the MRT railway line, but also had populations of Muslims, which were known to be not less than the national percentage.

Loo (2010) studied consumers' responsiveness to Islamic Banking in Malaysia. He chose Malaysia because of the country's Muslim population (60% Muslim) and disproportionate wealth distribution lying with non-Muslims. Loo finds out from his research on the topic that Muslims are supportive of Islamic Banking while non-Muslims view Islamic Banking "as relevant primarily to Muslims". Thus, religious backgrounds prove to be a factor of choice for Islamic banks. However, the research concludes that among non-Muslims, people born in the 1960s (the X-Generation) has a more favorable perception towards Islamic Banking than people born during World War II; 1930s - 1940s (Baby Boomers).

In Loughborough, United Kingdom, where there was no Islamic bank at the time of study, Yusoff and Shamsudin (2004) found that the Muslims in the community had a very positive attitude towards Islamic banking and 64.1% of the respondents were willing to close their accounts with conventional banks and open new ones with Islamic banks. 31.3% were willing to maintain two accounts both with their conventional bank and with the Islamic bank before shifting totally to the Islamic bank. This was as a result of the lack of confidence in the non-existent Islamic bank. The findings show that without taking into consideration the quality of the bank services, existence of these banks, or rate of returns on investments, majority of Muslims in Loughborough, UK, are willing to save

solely with Islamic Banks. This again shows that religious motive plays out as a factor for choosing Islamic banking.

In contrast to the above, Erol and El-Bdour (1989) had conducted a research on *Attitudes, Behavior and Patronage factors of Bank Customers Towards Islamic Banks* in Jordan, a country which had Islamic Banks at the time of the research. The researchers issued a thousand questionnaires in three cities of Jordan, which were analyzed using bivariate and multivariate statistical techniques. They, unlike Gerrard & Cunningham (1997) and other researchers, found that religious motivation did not appear to be the primary criterion for the selection of Islamic banking services and that Islamic banking consumers (both Muslims and non-Muslims) were interested in maximizing profits. Critics have however pointed out that their conclusions could be mistaken as some respondents could have answered “no” to both “strongly agree” and “strongly disagree” prompts on the questionnaire (Gerrard & Cunningham, 1997). This criticism is debatable because the researchers stated clearly that out of the 1000 responses they received, only 434 were usable, which means that they had possibly eliminated those errors.

Their findings as stated, contradict the general perception prevailing in most Muslim countries that emphasizes religious motives as being the major promoting factor of the Islamic banking movement.

2.3.2 Level of Education Influences Responsiveness to Islamic banking

A study examining non-Muslim banking customers’ perceptions of the model in Malaysia proves that there is a relationship between education and perception towards Islamic banking. This was as a result of sampling 152 non-Muslim respondents from

Kuala Lumpur, a city in Malaysia. The researchers found out that respondents, especially those with higher education level strongly believed that Islamic banking would dominate conventional banking in Malaysia. This is due to their easy access to information on, and awareness of Islamic banking. The study also revealed that non-Muslims of the age group between 19 – 35 years old and with higher education possessed better knowledge and understanding on Islamic banking products and services banking (Abdullah, Sidek & Adnan, 2012). In summary, people with higher education had a higher level of awareness of, and more positive perceptions about Islamic banking than those of lower education backgrounds.

In addition, a study was conducted in three universities in the city of Chennai, India, on the patronage prospects of Islamic banking among international and local students. Upon analyzing 140 questionnaires received from students from the study, the researchers concluded that the respondents (both local and international students) perceived that the prospects of Islamic banking in India is positive and strong (Maswood & Choudary, 2015). This finding supports the findings of Abdullah, Sidek & Adnan (2012) discussed above.

In contrast, studies on the perceptions of Malaysian corporate customers towards Islamic banking products and services, Ahmad & Haron (2001) conclude that more than 65% of their respondents had limited knowledge about the banking's model, products and principles. The respondents were persons responsible for the financial affairs of the companies listed on the Kuala Lumpur Stock Exchange including financial directors, financial managers, general managers of finance, and accountants. These professionals can be considered to have a high level of education; however, they still had low

awareness of Islamic banking. This research conclusion contrasts Abdullah, Sidek and Adnan's (2012) to some extent. Abdullah et. al. conclude from their research that comparatively people with higher education had better knowledge of Islamic banking. Ahmad & Haron (2001) on the other hand, conclude that even corporate bank customers had limited knowledge of the system.

2.2.4 Awareness and Profitability as Key Factors of Choosing Islamic Banks

A case study in Pakistan on the factors influencing the perception of customers about Islamic banking was published in September 2016. The results of the study show that consumers' religious backgrounds, their awareness of Islamic banking products and service, their awareness of financial teaching of Islam, and advertisement of the banks, have significant impact on the perception of customers in Islamic banking. The reputation of the banks was however not a factor that influenced consumers' perceptions. The researchers conclude that religiosity is a major factor that shape people's willingness to bank with Islamic banks (Akhtar et. al., 2016). This was because many of the consumers who were willing to use Islamic banks were aware of the offerings of Islamic banks, and in most cases, Muslims.

In the same location, Pakistan, a study showed that 67.8% of respondents believed that cost/benefit is the important factor when selecting a bank. 53% of respondents believed size and reputation of a bank plays an important role in selecting a bank. 57.4% respondents tell they consider convenience is important factor in selecting a bank. 71.3% of respondents consider friendliness of bank as an important factor in selecting a bank even if it is Islamic or conventional. This shows that, the things that are most important to

consumers are the benefits received from banks and friendliness of banking consumers. Thus, if Islamic banks provided these to consumers, the level of patronage of their services will be high as well since consumers will be attracted to them (Sohail et. al., 2014).

2.4 Conclusions from Literature Review

The review of literature above shows that one's religious affiliation is a key factor that determines his responsiveness to Islamic Banking. It is seen in some cases that Muslims than non-Muslims have a more positive responsiveness to Islamic Banking. However, there has been a case, reported by Erol and El-Bdour (1989), where religious affiliation does not serve as the primary reason for choosing Islamic Banks.

Studies on how banking consumers' level of education affects their level of knowledge of Islamic Banking principles is inconclusive. This is because some studies conclude that there exists a positive relationship between the two, while others show that there exists no relationship between level of education and responsiveness to Islamic banking.

This research therefore seeks to study whether in the Ghanaian context, a relationship exists between banking consumers' background (religious and educational), and their responsiveness to (awareness of, and willingness to patronize) Islamic banking. In addition, the research seeks to find out what other factors affect consumers' willingness to use Islamic banking as it has been established that consumers are not influenced to bank based on the level of interest rates only.

CHAPTER 3

METHODOLOGY

3.1 Type of Study

This study uses the quantitative method of research. This is because an aim of the research is to determine the relationship between backgrounds of individuals and their responsiveness to Islamic banking within the population. The quantitative method has been established as a tool for estimating relationships (University of South Carolina, 2017). The use of the quantitative tool of issuing questionnaires was as a result of the aim of measuring banking consumers' knowledge of the Islamic banking model; whether they will be willing to use Islamic Banks; and the reasons behind their choices. This is because "a questionnaire is a means of eliciting the feelings, beliefs, experiences, perceptions, or attitudes of some sample of individuals" (Key, 1997). The research method is also ideal because of the large number of respondents this research worked with.

3.2 Sampling Population

The population from which the sample is chosen from is banking consumers in the Greater Accra Region. The region is Ghana's capital with a population of 4,010,054 in 2010, accounting for 15.4 per cent of Ghana's total population (Government of Ghana, 2016). In the region, Christians constitute the largest religious group (83.0%), followed by Muslims (10.2%), then people who profess no religion (4.6%) and adherents of traditional religion (1.4%) (Government of Ghana, 2016). The population was chosen because of its diversity with respect to inhabitants' religions, educational statuses, occupations and cultures (Government of Ghana, 2016).

3.3 Sample Size

A sample size of 150 people from five different locations in Accra was used for this study. These people were selected from five suburbs in Accra namely Tetteh Kwashie (Accra Mall), Kaneshie, Madina market, Lapaz and Korle-Bu. With respect to the population size in question, the ideal sample size was 380, using the sample size calculator. However, because of resource constraint, 150 was used. The method of collecting data from five different locations is a mechanism that was used to ensure spread and variability in results.

3.4 Sampling Method

Non-probability sampling method is used in this research. Although it would have been ideal to use a probability sampling method such as simple random sampling, the absence of a sampling frame for the banking consumers in the region made this impossible. Thus, the researcher employs the method of randomly approaching people at each location. At every location, the researcher visited mosques to talk to at least three Muslims. This was to ensure that the sample had at least 10% of Muslim representation.

3.5 Questionnaire Design

The questionnaire is divided into three parts. The first two parts, which seek information on the respondents' demographics and attitude towards Islamic banking, were adopted from the research designs of Rashid & Hassan (2009) and Erol & El bdour (1989). The researcher collected data on demographics because the service sector especially banks must identify their distinctive target in order to provide priority services

(Rashid & Hassan, 2009). Rashid & Hassan (2009) investigated the importance of market demographics on the bank selection criteria applied by different customers. According to the mean ranking of the respective variables, respondents ranked Compliance to Islamic rules as one of the highly expected and influential factors in selecting an Islamic bank. The researchers used Cronbach Alphas to test for the reliability of the individual factors used. Thus, their tool can be relied on for this research. In addition, only one question was adopted from Erol & El bdour (1989).

The third part of the questionnaire, which contains a 12-item Likert scale, was adopted from Kewuyemi (2016) who studied the “Customers’ Awareness, Attitude and Patronage of Islamic Banking in Nigeria”. This is because the Likert scale is a tool that can measure objectively to some extent, the concepts that are usually embedded in the feelings and perceptions of people (University of Wisconsin, 2016). The researcher’s questions are relevant to this research because of the similarity in topics being explored.

3.6 Data Analysis

3.6.1 Aggregation to Ascertain Levels of Awareness and Willingness

The responses was cleaned and coded in Microsoft Excel 2013, and analyzed using IBM SPSS Statistics 20. In analyzing the level of awareness and willingness of Islamic banking in Ghana, the likert scale questionnaires were aggregated into one variable named “level of awareness” and “level of willingness” respectively, using the “aggregate” function in SPSS. “Aggregate data refers to numerical or non-numerical information that is collected from multiple sources and/or on multiple measures, variables, or individuals and compiled into data summaries or summary reports, typically

for the purposes of public reporting or statistical analysis” (The Glossary of Education Reform, 2014). An advantage of aggregation is that statistical analyses include examining trends, making comparisons, or revealing information and insights that would not be observable when data elements are viewed in isolation can be made after aggregation (The Glossary of Education Reform, 2014). On the other hand, although aggregation helps to analyze individual questions, they cause what is termed the “aggregation problem” which can be defined as the information loss that occurs in the substitution of aggregate (Clark & Avery, 1976). In addition, trends in the individual likert items cannot be tracked and reported on (Clark & Avery, 1976).

3.6.2 Chi-Square Test of Independence

In order to ascertain groups of certain characteristics and demography, which have a kind of attitude towards Islamic banking, the chi-square test of independence was used, as it tests the probability of independence of a distribution of data (Ling, 2008). This was used to find out whether, as established in other literature, there exists a relationship between consumers’ level of awareness and religious background, their level of willingness and educational background, among other hypotheses established in the introductory chapter.

The data analyzed in this section are nominal, categorical data, which are assigned numbers that do not have values in themselves. As such, parametric tests such as the t-test and ANOVA, which require normality of dependent variable, could not be used on this section of the data. The Chi-square statistic, however, is a non-parametric tool

designed to analyze group differences when the dependent variable is measured at a nominal level (McHugh, 2013).

The assumptions of the Chi-square test (McHugh, 2013), and how the data analyzed fit those assumptions are discussed below.

1. **The data in the cells should be frequencies, or counts of cases rather than percentages or some other transformation of the data:** This assumption was held as the data under the variables levels of awareness, level of willingness, education and religion are expressed in counts.
2. **The levels (or categories) of the variables are mutually exclusive. That is, a particular subject fits into one and only one level of each of the variables:** The questionnaire (See Table 1 in Appendix) allowed respondents to tick only one answer in terms of education and religion. For example, a valid response used in the analysis could not have one tick as a Muslim and a non-Muslim simultaneously. Thus, the levels of the variables were mutually exclusive.
3. **Each subject may contribute data to one and only one cell in the chi-square. If, for example, the same subjects are tested over time such that the comparisons are of the same subjects at Time 1, Time 2, Time 3, etc., then chi-square may not be used:** The research conducted does not use time-series data. As such, the same subjects are not tested over time to violate this assumption.
4. **The study groups must be independent. This means that a different test must be used if the two groups are related:** The researcher's data does not consist of

paired samples. For example, a parent was not paired with his or her child. All respondents were independent respondents.

5. **There are 2 variables, and both are measured as categories, usually at the nominal level:** As explained above, the data analyzed are nominal, categorical data.
6. **The value of the cell expected should be 5 or more in at least 80% of the cells, and no cell should have an expected of less than one:** All the cells used for analysis had expected counts more than 5.

3.6.3 Binomial Logistic Regression

Binomial logistic regression is a model that is used to predict the probabilities of the different possible outcomes of a categorically distributed dependent variable, given a set of independent variables (which may be real-valued, binary-valued, categorical-valued, etc.) (Greene, 2012). The assumptions underlying the binomial logistic regression model are discussed below:

1. Your dependent variable should be measured on a dichotomous scale.
2. You have one or more independent variables, which can be either continuous (i.e., an interval or ratio variable) or categorical.
3. You should have independence of observations and the dependent variable should have mutually exclusive and exhaustive categories.
4. There needs to be a linear relationship between any continuous independent variables and the logit transformation of the dependent variable (Penn State Eberly College of Science, 2017).

In proving whether consumer involvement is high in terms of making patronage decisions for Islamic Banking, a binomial regression is run. The question that the regression seeks to answer is stated as follows: What is the odds that a banking consumer who is aware of Islamic banking will be willing to patronize Islamic banking than one who is not aware of Islamic banking? The use of a binomial logistic regression for the hypothesis is possible because the independent variable “Awareness” has only two responses terms—aware and unaware.

All the above assumptions were made in using the binomial logistic regression formula:

$$\text{logit } [p(Y=1)] = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n$$

The specific binomial logistic regression formula used to ascertain the relationship between consumers’ willingness to save with Islamic banks and their level of awareness

$$\text{is: } \text{logit } [p(\text{Will}=1)] = \alpha + \beta_1 \text{Aware} + \beta_2 \text{Educ} + \beta_3 \text{Reli}$$

Where:

Will = Consumers’ willingness to save with an Islamic bank

Aware = Consumers’ level of awareness of Islamic banking

Educ = Consumers’ level of education

Reli = Consumers’ religious affiliation

β_1 = the coefficient of the independent variable, awareness

β_2 = the coefficient of the independent variable, education

β_3 = the coefficient of the independent variable, religion.

In the model, the consumer’s educational background and religious affiliation is controlled for. This is to aid a more reliable probabilities estimator between the consumer’s patronage decision and level of awareness.

3.6.4 Frequency Tables

In determining the factors that motivate banking consumers to either bank or save with Islamic banks, a multiple response questionnaire was issued to accommodate all the factors they could relate to. The “multiple response” analysis tool in IBM SPSS Statistics 20 was used to code and analyze these questionnaires. In the end, the responses were represented in frequency tables, where the factor that had the most responses was represented with their percentage value.

3.7 Limitations

Despite the fact that the research aims to draw conclusions based on the Accra region, not all of the city’s suburbs was captured and surveyed. This impact is curtailed by using a large sample size for the research, and collecting data from more than one suburb. This enabled the researcher to minimize the lack of variability effect of non-probability sampling.

CHAPTER 4

DATA ANALYSIS AND DISCUSSION

4.1 Demography of Respondents

The data were collected from both Muslims and non-Muslims in Accra. Out of the 150 questionnaires received from the respondents, 18 were not usable. This was because some of the respondents failed to tick their answers to some key questions in the likert scale, while others did not follow the instructions for answering correctly. Thus, 132 responses are used in the analysis for this research.

The researcher's aim was to have at least 10% of the total number of respondents as Muslims. This was to ensure that the 10% Muslim population in the Greater Accra Region is represented in the sample. The total percentage of Muslim respondents surveyed was 22%, which was over the target, and that of non-Muslims was 78%.

Out of the 132 responses, 51.5% (68) of the respondents were male and 48.5% (64) were female.

52.27% of the respondents were between the ages of 18 to 25 years, 34.85% were between 26 to 36 years, 5.3% were between 37 to 45 years, 6.06% were between 46 to 59 years, and the 1.52% of the respondents were 60 years or above. This is represented in Figure 1 below.

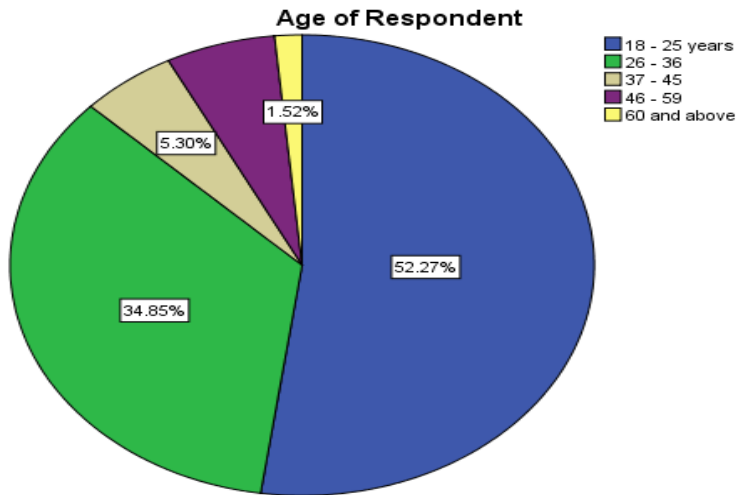


Figure 1: Pie Chart Displaying Age Distribution of Respondents

The level of education of the respondents are discussed in this section. 65.9% of the respondents had attained high school education as their highest level of education while 9.8% of the respondents were below high school level. 20.5% were tertiary school graduates, while 3.8% had post-graduate degrees. This shows that the majority of respondents for the survey are high school leavers.

Table 1
Summary of respondents' employment background

	Percent	Valid Percent
Public sector	8.3	8.5
Private sector (employed by a firm)	38.6	39.2
Self employed	7.6	7.7
Student	42.4	43.1
Unemployed	1.5	1.5
Total	98.5	100.0
Missing System	1.5	
Total	100.0	

Source: Researcher's Calculations

The table above explains the sectors of employment of the respondents, and shows that most of the respondents were students and employees in the private sector.

4.2 Ascertaining Level of Awareness of Islamic Banking among Respondents

In finding out the level of awareness of Islamic banking in Accra, a set of likert scale questions imported from the research questionnaire of Kewuyemi (2016) who studied the "Customers' Awareness, Attitude and Patronage of Islamic Banking in Nigeria" was used. The response term "disagree" means that the respondent thinks he/she is aware of (knows about) Islamic banking but the actual case is otherwise. The response term "agree" means that the respondent thinks he/she is aware of Islamic banking, and is

actually aware about it. The response term “neutral” means that the respondent has never heard about Islamic banking and knows (s)he is not aware of it.

The data collected from the research shows that 9.7% of the respondents are not aware of Islamic banking, although they think they are, while 55.6% have never heard about Islamic banking. In essence, 65.3% of the respondents are not aware of Islamic banking while 34.7% are aware of the model. These are represented in a tabular form in Table 2. It can be concluded, with evidence from the research, that the level of awareness of Islamic banking in Ghana is low. This is because less than half of the respondents surveyed, 34.7% only, which does not represent a strong percentage of the consumer base, know of the basics of Islamic banking.

Table 2

Table displaying the level of awareness of respondents

	Frequency	Valid Percent
Disagree	12	9.7
Neutral	69	55.6
Agree	43	34.7
Total	124	100.0

Source: Researcher's Calculations

The low level of awareness of Islamic Banking and Finance ascertained from the study corresponds with literature from Gerrard and Cunningham (1997). The duo studied the level of awareness of Islamic Banking in Singapore, a country with a Muslim

population of 15.22% and established that in countries with small Muslim populations, level of awareness of Islamic Banking is low. In Ghana, a country with a Muslim population percentage of 17.6 (Ghana Embassy, 2016), it is proven that even bankers do not know about Islamic banking although it is gaining international recognition (Quansah, 2015). Evidence from this research also supports that the level of awareness in countries with small Muslim population, such as Ghana, is low as many banking consumers in the country are also not aware of Islamic banking.

4.2.1 H0 = The level of awareness of Islamic Banking is not dependent on one's religious background

The chi-square test proved to be an ideal independence test, because apart from its many benefits, it is also suitable as a non-parametric test (McHugh, 2013). Using the Pearson's chi-square test on the Hypothesis produced a p-value of 0.036 (as shown in Table 3). This value is less than 0.05, which led to the rejection of the null hypothesis that "The level of awareness of Islamic Banking is not dependent on one's religious background" at a 5% significant level. Thus, there is enough evidence from the data collected from the research that the level of awareness of Islamic Banking depends on one's religious background.

Table 3

Chi-Square test results for the hypothesis “The level of awareness of Islamic Banking is not dependent on one’s religious background”

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.670 ^a	2	.036
Likelihood Ratio	6.423	2	.040
Linear-by-Linear Association	4.814	1	.028
N of Valid Cases	124		

As explained, the response “disagree” means that the respondent thinks he/she is aware about Islamic but is actually not aware about the banking model. The response “agree” means that the respondent thinks he/she is aware about Islamic banking, and is actually aware about it. The response “neutral” means that the respondent has never heard about Islamic banking thus is not aware about it.

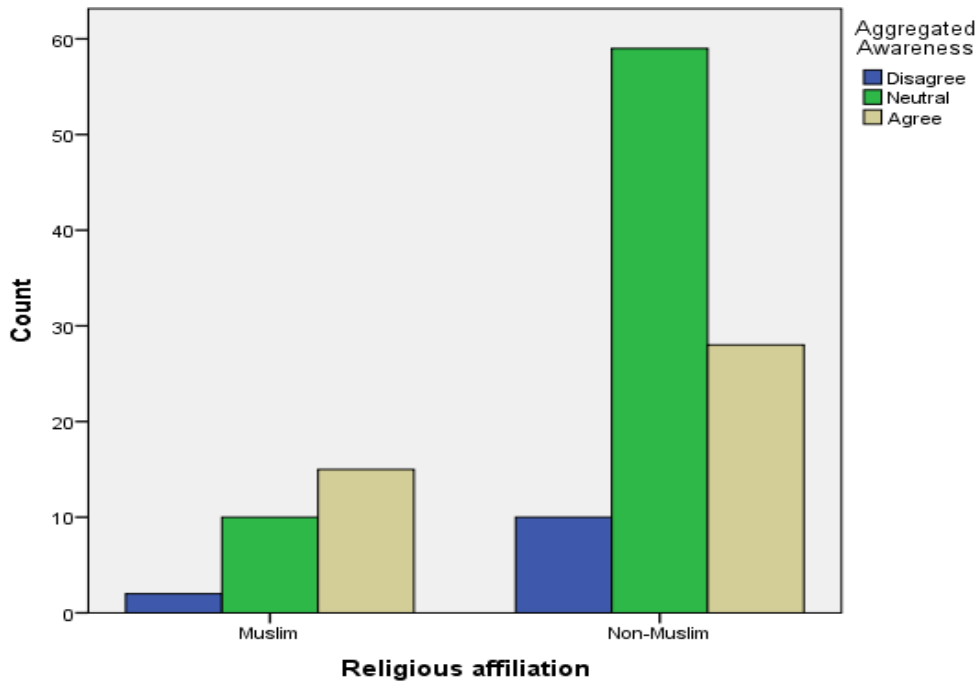


Figure 2: Graph showing the relationship between Religious Affiliation and Awareness of Islamic Banking.

Deductions from the data (and graph 1 above) show that 44.5% of the Muslim respondents are actually not aware of Islamic Banking while the remaining 55.5% (more than half of the Muslim respondents) are aware of Islamic Banking. On the other hand, 71.2% of the non-Muslim respondents are not aware of Islamic Banking, while only 28.8% are aware.

The study by Gerrard and Cunningham (1997) continued to conclude that although both Muslims and non-Muslims in Singapore were generally not aware of terms used in Islamic Banking, Muslims were more aware of the Islamic terms. Although this research did not study people's awareness of Islamic banking terms, it can also be concluded with evidence from the research, that Ghanaian Muslim banking consumers are more aware of Islamic Banking than their non-Muslim counterparts are.

4.2.2 H0 = The level of awareness of Islamic Banking is not dependent on one's level of education

Running a Pearson's chi-square test on the hypothesis stated in IBM SPSS 20 produced a p-value of 0.553 (see Table 4 below). Since this value is greater than 0.05 (5% significant level), the researcher failed to reject the null hypothesis that "The level of awareness of Islamic Banking is not dependent on one's educational background". This simply means that, people who have a higher educational background do not necessarily have a higher knowledge of Islamic banking.

This finding contradicts that of the research of Abdullah, Sidek & Adnan (2012) who studied non-Muslim banking customers' perceptions on Islamic banking in Malaysia. It was revealed from their research that non-Muslims with higher education possessed better knowledge and understanding of Islamic banking products and services. This was attributed to their wider exposure to news and information from various sources.

Ahmad & Haron (2001) on the other hand, conducted a similar study among corporate workers in Malaysia and obtained results that is in contrast to that of Abdullah et. al. (2012) above. Their research conclude that even corporate Islamic bank customers including financial directors, financial managers, general managers of finance, and accountants who had high levels of education, had limited knowledge of the Islamic banking system. This correlates with the finding of this research that in Ghana, people who have a high educational background (undergraduate and post-graduate degree holders) do not necessarily have a higher level of awareness that those with lower educational backgrounds (high school level and below).

Table 4

Chi-Square test results for the hypothesis “The level of awareness of Islamic Banking is not dependent on one’s level of education”

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.186 ^a	2	.553
Likelihood Ratio	1.149	2	.563
Linear-by-Linear Association	1.059	1	.303
N of Valid Cases	124		

Source: Researcher’s Calculations

4.3 Ascertaining Consumers’ Willingness to Bank with Islamic Banks

The researcher also used a set of likert scale questions to ascertain whether Ghanaian consumers will be willing to adhere to Islamic banking principles, thus, to bank with them. This part of the questionnaire could have had “yes” or “no” questions, however, because of the many distinguishing factors of Islamic banking, it could be possible that consumers will not be willing to patronize the service after going through the different question. For example, an individual could answer “yes” to show his willingness, but he could be one who would not strongly want to enter into a profit-and-loss sharing agreement with a bank. Meanwhile, one basic characteristics of Islamic banking is the profit-and-loss sharing agreement between the bank and the customer. In

addition, (s)he would not want to take a loan and not be charged a definite interest rate. Thus, the choice of a likert-scale questionnaire to determine the extent to which consumers would be willing to accept the terms of the Islamic banking practice.

The response item “disagree” means that the respondent, in general, is not willing to use Islamic banks. The response term “neutral” means that the respondent is uncertain as to whether they will be willing to use Islamic banks or not. At the time of research, they were indifferent about patronizing Islamic banking. The response term “agree,” means that the respondent is willing to adhere to Islamic banking principles, and do business with them.

Table 5

Table displaying the respondents’ levels of willingness

	Frequency	Valid Percent
Disagree	36	28.1
Neutral	69	53.9
Agree	23	18.0
Total	128	100.0
Missing System	4	
Total	132	

Source: Researcher’s Calculations

Evidence from the research shows that Ghanaian banking consumers (based in Accra) do not know whether they will be willing to use Islamic banks or not. 53.9% of the respondents responded neutral to the questions that test consumer’s willingness.

However, 28.1% of the respondents were certain they would not use Islamic banking products or services, while only 18% of the respondents were actually willing to bank with Islamic banks.

4.3.1 H0 = One's willingness to use Islamic banks is not dependent on his/her religious background

The chi-square test was used to test whether one's willingness to use Islamic banks is dependent on his/her religious background. A Chi-square value of 0.144 was found. Since this is greater than 0.05, we fail to reject the null hypothesis that "One's willingness to use Islamic banks is not dependent on his/her religious background". This implies that, the data collected for this research does not supports the notion that Muslims are more willing to use Islamic banks than non-Muslims are. This finding contradicts findings of research conducted in Loughborough, United Kingdom by Yusoff and Shamsudin (2004). Yusoff and Shamsudin (2004) found that the Muslims in Loughborough had a very positive attitude towards Islamic banking. Loo (2010) also found from research on attitudes towards Islamic Banking by both Muslims and non-Muslims in Malaysia that Muslims are supportive of Islamic Banking while non-Muslims view Islamic Banking "as relevant primarily to Muslims". Thus, religious backgrounds proved to be a factor of choice for Islamic banks. Gerrard and Cunningham (1997) also conclude from their research that Muslims in Singapore were more responsive to Islamic Banking than their non-Muslim counterparts.

The finding from this research, on the other hand, supports the conclusions from the research of Erol and El-bdour (1989), one of the early researchers on the topic. They

found that religious motivation did not appear to be the primary criterion for the selection of Islamic banking services and that Islamic banking consumers (both Muslims and non-Muslims) were interested in maximizing profits. The findings from this research in support of that of Erol and El-bdour (1989) shows that, the religious background of Ghanaian banking consumers is not a factor that determines their willingness to patronize the service.

4.3.2 H0 = One's willingness to use Islamic banks is not dependent on his/her level of education

Table 6

Chi-Square test results for the hypothesis "One's willingness to use Islamic banks is not dependent on his/her level of education"

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.096 ^a	2	.000
Likelihood Ratio	20.950	2	.000
Linear-by-Linear Association	18.891	1	.000
N of Valid Cases	128		

Source: Researcher's Calculations

A p-value of 0.000026 was found. This led to the rejection of the hypothesis that "One's willingness to use Islamic banks is not dependent on his/her level of education". Thus, evidence from this research shows that one's willingness to use Islamic banking depends on his/her level of education. Research from other countries confirm that people of a higher educational background have a more positive outlook on Islamic banking than

those with a lower educational background. As established for the purposes of this research, one who has a high educational background is one who has attained education from a tertiary institution, while those with a lower educational background are those who have attended high school or any level below high school. It was established in the research of Abdullah, Sidek & Adnan (2012) that in Malaysia, those with higher education level strongly believed that Islamic banking would dominate conventional banking in Malaysia. Also in the city of Chennai, India Maswood & Choudary (2015) established that respondents (both local and international university students) perceived that the prospects of Islamic banking in India is positive and strong. Thus, it is not surprising that in the findings of this research, people of a higher educational background are more willing to patronize Islamic banking than people with a lower educational background.

4.4 Assessing the degree of Consumer Involvement of Islamic Banking and Finance among banking consumers in Accra.

The theory of consumer involvement implies that there is a state of awareness that motivates consumers to think about a product before making a purchase decision. The theory explains that for risky purchases, consumers need to be very much aware about the product before making a purchase decision. In making a risky purchase decision such as saving money with a particular bank, the theory of consumer involvement implies that the consumer should have a heightened state of awareness of the bank and its services before making a decision. Thus, consumer involvement should be high for risky purchase

decisions. This theory implies that willingness to make a risky purchase decision is dependent on the consumer's level of awareness. Therefore, a binary logit model was used to estimate the relationship between the two variables; willingness to save with an Islamic bank and awareness of Islamic banking in the Ghanaian context. This is to test the degree of consumer involvement of Islamic banking in Ghana.

The findings from the logistic regression show that, the odds that a consumer who is willing to save with an Islamic bank is aware about Islamic banking is 0.875 times higher than if the consumer is not aware of Islamic banking (see Table 7 below). This simply means that the consumers will more likely choose to save with an Islamic bank when they are aware than when they are not aware of Islamic banking. The above assertion is true when the consumer's educational and religious backgrounds have been controlled for. However, this result is not significant at 5% significance level (see Table 7), thus, does not confirm the high consumer involvement expected for the risky purchase decision of saving with an Islamic bank. The insignificance of the results shows that consumer involvement for Islamic banking is low in Ghana. It also shows that the consumer's awareness of Islamic banking is not strong enough to determine their willingness to save with an Islamic bank. This follows the logical reasoning that because consumer awareness of Islamic banking is low, consumer involvement for the Islamic banking cannot be high. In this research, therefore, the theory of Consumer Involvement was found to be weak and inapplicable.

Table 7*Binary logistic regression results for the hypothesis*

	B	S.E.	Wald	df	Sig.	Exp(B)
Aware	-.133	.202	.437	1	.509	.875
Education	.842	.477	3.119	1	.077	2.322
Religion	.332	.466	.507	1	.477	1.393
Constant	-2.199	1.554	2.001	1	.157	.111

Source: Researcher's calculations

In support of the assertion that consumer involvement in Ghana is low, the Cox & Snell R Square in Table 8 below, shows that the probability of the result explained above occurring is 3.5%. Thus, the explanation from the binary logistic regression above is true only 3.5% of the time. This strongly implies that there are factors other than awareness of Islamic banking, consumers' educational and religious backgrounds that influence whether consumers choose to use Islamic banks or not.

Table 8

R Square Results for the hypothesis "people's willingness to save with Islamic banks is not dependent on their awareness of the banking system"

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	157.632 ^a	.035	.046

Source: Researcher's calculations

A chi-square test for the hypothesis “willingness to save with Islamic banks is not associated to awareness of the banking system” also shows that there exists no strong relationship between willingness to save and awareness of Islamic banking among banking consumers in Ghana. The chi-square test (see Table 9) confirms the assertion that the amount of variation experienced in willingness to save as a result of level of awareness is not significant. Thus, in the Ghanaian context, consumers’ awareness level only does not strongly influence their willingness to save, hence, low consumer involvement.

Table 9

Chi-Square Results for the hypothesis “people’s willingness to save with Islamic banks is not dependent on their awareness of the banking system”

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.312 ^a	1	.576		
Continuity Correction ^b	.134	1	.714		
Likelihood Ratio	.312	1	.577		
Fisher's Exact Test				.700	.357
Linear-by-Linear Association	.310	1	.578		
N of Valid Cases	120				

All the above indicators confirm that consumer involvement for Islamic banking is low in Ghana, thus awareness does not play a strong role in determining willingness to save with an Islamic bank in Ghana.

As a result of this, the researcher explored other factors that influenced consumers' willingness to save or bank with Islamic banks in Ghana.

4.5 Motives for Choosing to Bank with an Islamic Bank

Out of the 132 respondents, 126 respondents answered yes or no to whether they would save with an Islamic bank. 70 (55.6%) consumers said they will save with Islamic banks while the remaining 56 (44.4%) said they would not.

Table 10

Frequency Table of Reasons why Consumers will Save with an Islamic Bank

Why Save	Responses
	Percent
Because it is in line with Islamic principles	19.8%
Because it is ethical banking	24.8%
Because it promotes entrepreneurship	31.4%
Because it does not exploit borrowers	24.0%
Total	100.0%

Source: Researcher's Calculations

The 55.6% of the consumers who responded "yes" to the question of whether or not they would save with an Islamic bank had a number of reasons for their choice. To many, about 44.4% of the responses, they would save because of the Islamic banks' aim of promoting entrepreneurship. The next most important reason, with a score of 24.8%,

was because they felt that Islamic banking was an ethical way of banking as they knew which activities their monies would not be invested in. “Because it does not seek to exploit borrowers” is also another motive for choosing to save with an Islamic bank. The least important reason for consumers’ choice to save with an Islamic bank is the religious motive. Respondents were allowed to give other reasons that were not provided by the researcher for their choice. Reasons given included the fact that banking with an Islamic bank will feel more like a partnership because of the profit and loss sharing agreement feature of Islamic banking. Others were very interested in the adventure of trying something new, thus gave the reason that they would choose to save with an Islamic bank because they would love to experience it. The last reason consumers gave was that they would save because it was merely a bank. To them, it did not matter whether or not the rules of banking is different in Islamic banking.

These polls reinforce the fact that religious motivation is not a key motive for choosing to use Islamic banks, and price is not the only determinant for supply. Even though there is not a fixed rate of income (no interest rate) for Islamic banking consumers, other factors motivate these consumers to still make the choice for Islamic banks. This was implied by Keynes (1936) when he explained in his book *General Theory of Employment, Interest and Money* that income, among other factors, is a determinant of savings. In this context, the banking system’s values of promoting entrepreneurship and ethics serve as key motivations for consumers to choose to save with them.

All 132 respondents answered “yes” or “no” to whether they would borrow with an Islamic bank. 63.6% (84) of the respondents said yes and the remaining 36.4% (48) of the respondent answered “no”. The main reason for consumers’ willingness to use

Islamic banks is the interest-free concept (as seen in Table 10 below). This ties in with studies by Akowuah (2011). He studied interest rates and the demand for credit in Ghana, and finds out that interest rates have a positive impact on the domestic demand for credit in the short run and a negative relationship in the long run. Thus, the lower the interest rate, the higher demand in the long run. In this study, because interest rates is zero, it served as the highest motivator for choosing to save with an Islamic bank. However, people are also motivated by the fact that they will not feel exploited as borrowers, and because Islamic banking brands as ethical banking.

Table 10

Frequency Table of Reasons why Consumers will Borrow with an Islamic Bank

Why borrow	Responses
	Percent
Because it is in line with Islamic values	16.0%
Because it is interest-free	29.4%
Because it is ethical banking	18.4%
Because it does not exploit the borrower	20.2%
Because it rests on the promotion	16.0%
Total	100.0%

Source: Researcher's Calculations

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The research studied Ghanaian banking consumers' levels of awareness and willingness to patronize Islamic banking. It also sought to find the relationships between consumers' educational and religious backgrounds and the levels of awareness and willingness to patronize the service. Finally, it tested the theory of consumer involvement and explored the motives behind consumers' willingness to either borrow or save from an Islamic bank.

5.2 Key Findings and Conclusions

From the data analysis, it can be observed that the level of awareness of Islamic banking in Ghana is low, and Muslims are more aware of Islamic banking than non-Muslims are. These findings are consistent with that of Gerrard and Cunningham (1997) who concluded from their research that the level of awareness of Islamic banking is low in countries with a low Muslim population. The study also led to the conclusion that there exists no significant relationship between consumers' educational background and their awareness of Islamic banking. This finding contradicts that of the research of Abdullah, Sidek & Adnan (2012) who studied non-Muslim banking customers' perceptions on Islamic banking in Malaysia. They conclude from their research that non-Muslims with higher education possessed better knowledge and understanding of Islamic banking products and services.

The paper also finds that many Ghanaian consumers are indifferent or neutral about using Islamic banking. This could be attributed to their low level of awareness of the banking system. The study finds that a consumer's willingness to use Islamic banks is not dependent on his/her religious background. However, evidence from this research shows that one's willingness to use Islamic banking depends on his/her level of education. Thus, banking consumers who have attained tertiary education or higher, are more willing to patronize Islamic banking services.

The theory of Consumer Involvement, which presumes a heightened state of awareness that motivates consumers to make purchase decisions, was tested with the data collected. The theory states that Consumer Involvement is high especially when the purchase decision is a risky one. A binomial logistic regression model was deduced to test whether the risky decision of choosing to save with an Islamic bank depended on the consumers' awareness. The regression showed that, the consumers who are willing to save with an Islamic bank will more likely choose to save with the bank when they are aware than when they are not aware of Islamic banking. However, the level of awareness of a banking consumer in Ghana explains only 0.3% of the variation in their choice of willingness to save. The relationship between the consumers' willingness to patronize Islamic banking and their awareness of Islamic banking is not significant, using the Pearson Chi-square test. Thus, level of awareness was not found to be a key motivator for consumers' choice for saving with Islamic banks. In this research, the theory of Consumer Involvement was found to be weak and inapplicable.

The research also found that the main motivations behind consumers' willingness to save with Islamic banks were because of the concepts of entrepreneurship promotion

and ethical banking that Islamic banking upholds. This was implied by Keynes (1936) when he explained in his book *General Theory of Employment, Interest and Money* that not only interest is a determinant of savings.

The biggest motives behind consumers' willingness to borrow from an Islamic bank were the interest-free nature of the system, and the fact that they as borrowers would not feel exploited.

5.3 Recommendations

This section provides recommendations for Islamic banks who have expressed interest in setting up in Ghana, and for conventional banks in Ghana who wish to set Islamic windows.

1. Awareness of and Willingness to use Islamic Banking: It can be noted from research findings that the level of awareness of Islamic banking in Ghana is low. As such, prospective Islamic banks should heavily invest in sensitization of the public about their products and procedures in the first years of their set up in Ghana. This will mean an increased cost for these banks, but it will prove to be worthy as people can understand their concept better, and make decisions thereof.
2. Target Market: With evidence from the research, banking consumers who have received graduate and post-graduate education are more inclined to use Islamic banks than consumers who have not received these levels of education. Thus, Islamic banks should heavily target banking consumers in universities, and if possible, set up branches on university campuses.

3. Highlights for Advertisement: The main motivating factors for Ghanaian banking consumers' choice of saving with prospective Islamic banks are because of the concepts of entrepreneurship promotion and ethical banking that Islamic banking upholds. In terms of borrowing, consumers are excited about their interest-free nature and the sense of not being exploited as borrowers. Thus, in advertising, Islamic banks should heavily highlight these points, as these would be their major differentiation factors.

Differentiating themselves as a religious product should come secondary to these factors.

5.4 Further Studies

Subsequent researches should test the degrees to which each motivating factor affects consumer's purchase decisions. This will inform Islamic banks as to which consumer desire to strongly focus their advertisements on, and to deliver to consumers' satisfaction.

References

- 10 Key Points about Islamic Finance. (n.d.). Retrieved from <http://www.dummies.com/business/corporate-finance/10-key-points-about-islamic-finance/>
- Abdullah, A., Sidek, R., & Adnan, A. (2012). Perception of Non-Muslims Customers towards Islamic Banks in Malaysia. *International Journal Of Business And Social Science*, 3(11). Retrieved from http://ijbssnet.com/journals/Vol_3_No_11_June_2012/18.pdf
- Abdullahi, S. (2013, February). Islamic Banking In West African Sub-Region: A Survey. *Arabian Journal of Business and Management Review*, 2(7). Retrieved from [http://www.arabianjbmr.com/pdfs/OM_VOL_2_\(7\)/4.pdf](http://www.arabianjbmr.com/pdfs/OM_VOL_2_(7)/4.pdf)
- Ahmad, N. & Haron, S. (2001). Perceptions of Malaysian corporate customers towards Islamic banking products & services. *International Journal Of Islamic Financial Services*, 3(4). Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.6505&rep=rep1&type=pdf>
- Akhtar, N., Mehmood, M., Pervez, M., Aslam, F., & Akhtar, H. (2016). Factors Influencing the Perception of Customers in Islamic Banking: A Case Study in Pakistan. *International Review of Management and Business Research*, 5(3). Retrieved from <http://www.irmbrjournal.com/papers/1467436798.pdf>
- Akokuah, G. (2011). Interest Rates and the Demand for Credit in Ghana. *Institutional Repository for KNUST*. Retrieved from <http://ir.knust.edu.gh/bitstream/123456789/4339/1/Godslove%20Akokuah.pdf>
- Alexsamade. (2011). Evolution and trends in Islamic banking. Retrieved from <http://www.vanguardngr.com/2011/07/evolution-and-trends-in-islamic-banking/>

- Alharbi, A. (2015). Development of the Islamic Banking System. *Journal Of Islamic Banking And Finance*, 3(1). <http://dx.doi.org/10.15640/jibf.v3n1a2>
- Amonoo, E., Acquah, P., & Asmah, E. (2003). The Impact of Interest Rates on Demand for Credit and Loan Repayment by the Poor and SMEs in Ghana. *International Labor Organization*. Retrieved from http://www.ilo.org/wcmsp5/groups/public/@ed_emp/documents/publication/wcms_125603.pdf
- BusinessGhana - Ghana, Business Advice, Jobs, News, Business Directory, Real Estate, Finance, Forms, Auto. (n.d.). Retrieved September 20, 2016, from <http://www.businessghana.com/portal/finance/index.php?op=getNews&id=208547>
- Cassel, G. (1971). *The nature and necessity of interest* (1st ed.). New York: A.M. Kelley.
- Chong, B. S., & Liu, M.-H. (2009). Islamic banking: Interest-free or interest-based? *Pacific-Basin Finance Journal*, 17(1), 125–144. <https://doi.org/10.1016/j.pacfin.2007.12.003>
- Chong, B. S., & Liu, M.-H. (2009). Islamic banking: Interest-free or interest-based? *Pacific-Basin Finance Journal*, 17(1), 125–144. <https://doi.org/10.1016/j.pacfin.2007.12.003>
- Concepts, L. (2015). *Aggregate Data*. Retrieved February 20, 2017, from <http://edglossary.org/aggregate-data/>
- Di Benedetto, C. A. (1999). Identifying the Key Success Factors in New Product Launch. *Journal of Product Innovation Management*, 16(6), 530–544. <https://doi.org/10.1111/1540-5885.1660530>
- Erol, C. & El-Bdour, R. (1989). Attitudes, Behaviour, and Patronage Factors of Bank Customers towards Islamic Banks. *International Journal Of Bank Marketing*, 7(6), 31-37. <http://dx.doi.org/10.1108/02652328910132060>

- Gerrard, P. & Cunningham, J. B. (1997). Islamic banking: a study in Singapore. *International Journal of Bank Marketing*, 15(6), 204–216. <https://doi.org/10.1108/02652329710184433>
- Ghana Business News. (2012). Absa plans Islamic banking in Ghana, after take-over of Barclays Africa. Retrieved from <https://www.ghanabusinessnews.com/2012/12/12/absa-plans-islamic-banking-in-ghana-after-take-over-of-barclays-africa/>
- Ghana Islamic Microfinance - Home. (2016). Retrieved September 25, 2016, from <http://ghanaislamicmicrofinance.org/>
- Ghana's First Islamic Investment Fund Launched In Kumasi. (n.d.). Retrieved September 20, 2016, from <http://m.myjoyonline.com/marticles/business/ghanas-first-islamic-investment-fund-launched-in-kumasi>
- Greater Accra - Government of Ghana. (2016). Retrieved December 3, 2016, from <http://www.ghana.gov.gh/index.php/about-ghana/regions/greater-accra>
- Greene, William H. (2012). *Econometric Analysis (Seventh ed.)*. Boston: Pearson Education. pp. 803–806. ISBN 978-0-273-75356-8
- Hoffmann, A. (2008). Building brand relationships through dialogue communications. University of Muenster. Retrieved from <http://www.highbeam.com/Brand+Strategy/publications.aspx?date=200811>.
- Hussain, M., Shahmoradi, A., & Turk, R. (2015). An Overview of Islamic Finance. *International Monetary Fund*. Retrieved from <https://www.imf.org/external/pubs/ft/wp/2015/wp15120.pdf>
- Kewuyemi, K. M. (2015). Customers' Awareness, Attitude and Patronage of Islamic Banking in Nigeria. *Islam and Civilisational Renewal (ICR)*, 6(3). Retrieved from <http://www.iais.org.my/icr/index.php/icr/article/view/503>

- Keynes, J. M. (1937). Alternative Theories of the Rate of Interest. *The Economic Journal*, 47(186), 241–252
- Loo, M. (2010). Attitudes and Perceptions towards Islamic Banking among Muslims and Non-Muslims in Malaysia: Implications for Marketing to Baby Boomers and X-Generation. *International Journal Of Arts And Sciences*, 3(13). Retrieved from http://openaccesslibrary.org/images/HAR316_Mark_Loo.pdf
- Make the private sector engine of growth - Dr Dawson-Ahmoah. (n.d.). Retrieved September 25, 2016, from <http://www.ghananewsagency.org/education/make-the-private-sector-engine-of-growth-dr-dawson-ahmoah-87114>
- McHugh, M. L. (2013). The Chi-square test of independence. *Biochemia Medica*, 23(2), 143–149. <https://doi.org/10.11613/BM.2013.018>
- Muhamad, N & Mizerski, D. (2010). The constructs mediating religions' influence on buyers and consumers. *Journal of Islamic Marketing*, 1(2), 124–135. <https://doi.org/10.1108/17590831011055860>
- Myjoyonline.com. (2016, April 28). Plan to encourage Islamic banking faces setback. Retrieved September 21, 2016, from <http://www.myjoyonline.com/business/2016/april-28th/plans-to-encourage-islamic-banking-faces-setback.php>
- Oxford Business Group (2015). Promising future for Islamic banking in Ghana. Retrieved September 20, 2016, from <http://www.oxfordbusinessgroup.com/news/promising-future-islamic-banking-ghana>
- Penn State Eberly College of Science (2017). *Binary Logistic Regression with a Single Categorical Predictor*. Retrieved March 31, 2017, from <https://onlinecourses.science.psu.edu/stat504/node/150>

- Population | Ghana*. (2016). *Ghanaembassy.org*. Retrieved 10 December 2016, from <http://www.ghanaembassy.org/index.php?page=population>
- Population | Ghana*. (n.d.). Retrieved September 21, 2016, from <http://www.ghanaembassy.org/index.php?page=population>
- PricewaterhouseCoopers. (2013). *2013 Ghana Banking Survey: Harnessing the SME potential*. Retrieved from <https://www.pwc.com/gh/en/pdf/ghana-banking-survey-2013-pwc.pdf>
- Roy, D. (1991). Islamic Banking. *Middle Eastern Studies*, 27(3), 427-456. Retrieved from <http://www.jstor.org/stable/4283449>
- Sohail, A., Hamza, M., Ijaz, F., & Azeem, M. (2014). Perception of Individual Consumers toward Islamic Banking Products and Services in Pakistan. *Journal Of Poverty, Investment And Development*, 5. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.823.3524&rep=rep1&type=pdf>
- StanbicIBTCBank - Nigeria | Home. (2016). Retrieved September 25, 2016, from <http://www.stanbicibtcbank.com/Nigeria/>
- Surah Ali 'Imran [3:130]. (n.d.). Retrieved October 23, 2016, from <https://quran.com>
- Uddin, M. (2015). Principles of Islamic Finance: Prohibition of Riba, Gharar and Maysir. *Munich Personal Repec Archive*. Retrieved from https://mpra.ub.uni-muenchen.de/67711/1/MPRA_paper_67711.pdf
- Understanding Islamic Banking: The Value Proposition that Transcends Cultures. (2008). *International Journal of Islamic and Middle Eastern Finance and Management*, 1(2), 180–182. <https://doi.org/10.1108/17538390810881026>

- Understanding Islamic Banking: The Value Proposition that Transcends Cultures. (2008). *International Journal of Islamic and Middle Eastern Finance and Management*, 1(2), 180–182. <https://doi.org/10.1108/17538390810881026>
- University of Wisconsin. (n.d.). *Data collection methods*. Retrieved December 11, 2016, from <https://people.uwec.edu/piercech/ResearchMethods/Data%20collection%20methods/DATA%20COLLECTION%20METHODS.htm>
- van Kleef, E., van Trijp, H. C. M., & Luning, P. (2005). Consumer research in the early stages of new product development: a critical review of methods and techniques. *Food Quality and Preference*, 16(3), 181–201. <https://doi.org/10.1016/j.foodqual.2004.05.012>
- Venieris, Y. P., & Gupta, D. K. (1986). Income Distribution and Sociopolitical Instability as Determinants of Savings: A Cross-Sectional Model. *Journal of Political Economy*, 94(4), 873–883.
- Wan Omar, W. & Abdul Rahim, H. (2015). Perception of Non-Muslims towards Islamic Banking Revisited: SEM Approach. *MJSS*. <http://dx.doi.org/10.5901/mjss.2016.v7n1p139>
- What Is a Convenience Sample? (n.d.). Retrieved December 3, 2016, from <http://sociology.about.com/od/Types-of-Samples/a/Convenience-Sample.htm>
- What is Classical Theory of Interest? (n.d.). Retrieved September 28, 2016, from <http://www.preservearticles.com/2012020222452/what-is-classical-theory-of-interest.html>
- Wiley: Understanding Islamic Finance - Muhammad Ayub. (n.d.). Retrieved September 21, 2016, from <http://eu.wiley.com/WileyCDA/WileyTitle/productCd-0470030690.html>

Yusoff, M. & Shamsudin, A. (2004). Muslim Consumers Attitude Towards Islamic Finance in a non-Muslim Country. *Jurnal Kemanusiaan*. Retrieved from <http://www.management.utm.my/download/jurnal-kemanusiaan/bil-03-jun-2004/112-muslim-consumers-attitude-towards-islamic-finance-products-in-a-non-muslim-country/file.html>

Appendix

Questionnaire

Level of Awareness of Islamic Banking and its Patronage Prospects in Accra

This research aims to find out banking consumers' level of awareness of Islamic banking and finance, their willingness to patronize the service and the factors that motivate their willingness/unwillingness.

Participation in this study is confidential, and you are guaranteed that your identity will remain undisclosed.

Part One: Demographic Information (Please tick)

1. Your gender:

- Male
- Female

2. Your age:

- 18-25
- 26-36
- 37-45
- 46-59
- 60 and above

3. Your highest level of education

- Below high school
- High school
- Tertiary (Bachelor degree, Diploma etc.)

- Post graduate (Post graduate diploma, Masters, PhD)

4. Sector of employment

- Public sector
- Private sector
- Self employed
- Student
- Unemployed

5. Religious affiliation

- Muslim
- Non-Muslim

Part Two: Awareness of Islamic banking

Please respond to the questions below by ticking the spaces under the following options:

SD: Strongly disagree

D: Disagree

N: Neutral

A: Agree

SA: Strongly agree

	Statement	SD	D	N	A	SA
6.	Islamic banking is the conduct of banking operations according to Shariah law					

7.	Islamic banking is available for Muslims as well as non-Muslims					
8.	Islamic banking prohibits the charge of interest in all forms of transactions					
9.	Parties in Islamic banking cannot predetermine a guaranteed profit					
10.	Returns on Islamic banking are based on gift and profit sharing basis instead of interest					
11.	Islamic banking prohibits major uncertainty in all forms of transactions					
12.	Islamic banks only invests in businesses that are not prohibited by Islam					

*Islamic banking is a banking model that is based on laws from the Quran. A financial transaction is accepted under Islamic law only when it is **interest-free, free from uncertainty and free from prohibited activities such as prostitution, the sale of alcohol and gambling**. Islamic banking rests on the promotion of entrepreneurship and general social welfare by not exploiting borrowers. However, there is the **profit and loss sharing agreement** between a borrower and an Islamic bank, which is subject to negotiations between the two parties.*

Part Three: Please tick

13. Would you borrow from an Islamic bank?

Yes

No

(b) If yes, why? (Tick all that apply)

Because it is in line with Islamic values

Because it is interest-free

Because it is ethical banking

Because it does not exploit the borrower

Because it rests on promotion of entrepreneurship

Other reasons, please state here

.....
.....

(b1) If no, why? (Tick all that apply)

Because it is in line with Islamic principles which you do not believe in

Because it is against the basic principles of banking (charge of interest)

Other reasons, please state here

.....
.....

11. Would you save with an Islamic Bank?

Yes

No

(b) If yes, why? (Tick all that apply)

Because it is in line with Islamic principles

Because it is ethical banking

Because it promotes entrepreneurship

Because it does not exploit borrowers

Other reasons, please state here

.....
.....

(b1) If no, why? (Tick all that apply)

Because there is no interest on savings

Because it is in line with Islamic principles

Because of uncertainty since it will be a new establishment

Other reasons, please state here

.....
.....

12. If an Islamic banking product becomes more costly than conventional banking, would you still consider it?

- Yes
- No

Part Three: Please tick

Please respond to the questions below by ticking the spaces under the following options:

SC: I strongly can

C: I can

SCT: I strongly can't

CT: I can't

U: I am undecided

		SC	C	SCT	CT	U
14.	Can you take a loan without interest?					
15.	Can you accept unlimited liability?					
16.	If you contribute to own a business, can you share profit and loss with third party who contributed capital?					
17.	Can you expose the secrets of your business for monitoring?					
18.	Can you keep proper accounts of your Business?					
19.	Can you sell pork, alcoholic drinks?					
.20.	Can you share loss on the ratio of capital contributed if loss is incurred?					
22.	If Shariah financial institutions are available, would you support them and feel more comfortable?					