THE RELATIONSHIP BETWEEN RELIGIOSITY AND CUSTOMERS' ADOPTION OF ISLAMIC BANKING SERVICES IN MOROCCO

Abdelghani Echchabi¹, Hassanuddeen Abd. Aziz²
¹Department of Business Administration
²Department of Finance,
Faculty of Economics and Management Sciences, International Islamic University Malaysia

Abstract

The main purpose of the paper is to examine the relationship between religiosity and the adoption of Islamic banking services. At the same time the study attempts to inspect the willingness of the Moroccan customers to adopt Islamic banking services. A total of 300 questionnaires were randomly distributed among Moroccan banking customers, out of which, 252 were returned and usable. T-test and linear regression analyses were then employed to analyse the data, whereby the dependent variable is adoption of Islamic banking services, and the independent variable is religiosity. The results indicate that religiosity has a significant positive influence on the adoption of Islamic banking services in Morocco. The results also indicate that the Moroccan customers are willing to adopt Islamic banking services.

Key words: Morocco, Islam, Banking, Linear regression, Consumer behaviour.

1. INTRODUCTION

The first Islamic bank was established in Egypt in 1963 and was called Mit Ghamr Local Savings Bank. This was followed by Nasir Social Bank in 1967, which was the first social bank to be established based on shari’ah principles (Venardos, 2006). Following these establishments, a number of other Islamic banks have been set up including IDB (1975), Faisal Islamic Bank (1976), etc.

In the case of Morocco, the governor of Bank Al Maghrib (Moroccan Central Bank) has signed the recommendation permitting the banks to market and launch their Halal products on 17th of September 2007. According to Elmostali (2009), the delay by Bank Al Maghrib to officially launch these alternative products is justified by the fact that financing companies should have agreed on the basic rules of offer which include denominations, juristic rules, etc. The authors added that the delay can be also explained by the fact that the Moroccan authorities want to adapt the Moroccan environment in order to meet the expectations and desires of the Gulf investors as well as the increasing demand on the Islamic banking services. Few years later, specifically, in August 2010, the AWB group opened a new subsidiary named Dar Assafaa offering Islamic banking services only such as Murabaha, Musharakah and Ijarah. Nevertheless, the Moroccan banking sector is dominated by eight main banks that are conventional in nature. These are Attijariwafa Bank (AWB), Banque Populaire du Maroc (BPM), Banque Marocaine du Commerce Exterieur (BMCE), Banque Marocaine du Commerce et de l'Industrie (BMCI), Societe Generale Maroc (SGM), Credit Agricole du Maroc (CAM), Credit Du Maroc (CDM), and Credit Immobilier et Hotelier (CIH). In a similar context, it is crucial to understand the banking customers' behaviour, particularly, the position of religiosity vis-a-vis the adoption of Islamic banking services in a country with 99 per cent Muslim population.

In the previous studies, the adoption of Islamic banking services was found to be a function of several factors, one of which is the religious motivation (Metwally, 1996; Edris, 1997; Gerrard and Cunningham, 1997; Metawa and Almossawi, 1998; Al-Sultan, 1999; Okumus, 2005). Nevertheless, the studies on the influence of the religiosity on the adoption of Islamic banking services are still scarce (Rehman and Shabbir, 2010), especially in the case of Morocco, whereby there is no existing study that fills this gap. This study is crucial in light of the current criticisms of the non-compliance of the existing Islamic banks with the shari’ah law (Abdullah and Dusuki, 2004; Kamali, 2007; Dusuki and Abozaid, 2007; Meera and Larbani, 2009; Meera and Dzuljastr, 2009; Sairally, 2002; Siddiji, 2007; Rosly, 2010). Moreover, the study focuses solely on religiosity due to the new wave of secularism that is slowly invading the North African region recently.

Thus, the current study attempts to study the influence of religiosity on the adoption of Islamic banking services, by using linear regression analysis, with religiosity as the independent variable and the adoption as the dependent variable. In other words, the current study attempts to answer the following two questions:
Does religiosity have any influence on the adoption of Islamic banking services in Morocco? Are the Moroccan customers willing to adopt Islamic banking services? The current study uses a multi-dimensional measurement of religiosity comprised of five dimensions based on the index established by Rehman and Shabbir (2010).

Following this brief introduction, the next section will present an overview on the previous studies on new products adoption as well as adoption of Islamic banking services. The methodology employed in this study, as well as the results and discussion will then be presented sequentially.

2. LITERATURE REVIEW

Intuitively, Islamic banking services are considered relatively new compared to the long existing conventional banking services. According to Rehman and Shabbir (2010), the adoption of new products by customers is affected by their perception of their features as well as some external factors. Previous studies have shown that a new product is more likely to be adopted if it has a higher relative advantage compared to the existing ones, if it is compatible with the values, experiences and needs of the customers, and if it is easier to use compared to the previous products (Rogers, 1983). Furthermore, awareness or knowledge about a given product has also been identified as one of the factors that lead the customers to opt or reject a given new product (Lai, 1991).

The previous studies have also found that the adoption of a new product is a function of three kinds of beliefs. The first is the behavioural belief, which refers to the subjective probability that the behaviour will achieve expected outcomes positively or negatively. Second is subjective norm which is determined by the sum of normative beliefs which reflects the perceived behavioural expectation or opinions of important referents individuals or groups. And the third one is perceived behavioural control which is determined by the sum of accessible control beliefs which refers to the perceived presence of requisite resources and opportunities to perform a given behaviour (Ajzen, 1991).

In the context of Islamic banking, previous studies have shown that the primary factors that lead the customers to opt for Islamic banks include fast and efficient service (Haron, Ahmad and Planisek, 1994), bank’s reputation (Naser, Jamal and Al-Khatib, 1999), economic factors (Ahmad and Haron, 2002). These above studies found that the religious motivation was not one of the primary factors that influence the customers’ product adoption decision. However, Hegazy (1995) found that most of the Islamic banks’ customers in Egypt chose Islamic banks in order for them to remain complied with the Islamic law. These results are similar to those of Metwally (1996), Edris (1997), Gerrard and Cunningham (1997), Metawa and Almossawi (1998), Al-Sultan (1999), as well as Okumus (2005).

Thus, in some contexts, religiosity was found to be one of the important factors in the customers’ selection of Islamic banking products. In the context of Morocco, this area still needs to be explored, given that none of the above studies have examined the Moroccan customers’ willingness to adopt Islamic banking products and the factors that may lead to it, specifically the religious factor. Even though the factors that lead to adoption of Islamic banking services maybe several, the current study focuses mainly and solely on religiosity because of the recent wave of secularism that is spreading in the North African region, especially with the Arab spring movements, and also because of the negligence of religiosity in the above attitudinal models.

The measurement of religiosity, which is the independent variable, is based on the scale established by Rehman and Shabbir (2010). The authors define religiosity based on five dimensions, namely, ideological, ritualistic, intellectual, consequential and experimental. The ideological dimensions refer to the overall beliefs associated with a religion, for instance, beliefs about God, Prophet, fate, etc. Ritualistic dimensions are determined by the actions prescribed by religion such as prayer, fasting, pilgrimage, etc. Intellectual dimensions refer to an individual’s knowledge about religion. Consequential dimensions refer to the importance of religion while experimental dimensions describe the practicality of the religion (p. 65). It is noteworthy that religiosity in the current study refers to the religion of Islam, given that 99 per cent of the Moroccan population are Muslims, while the remaining one per cent is comprised of Jewish and Christian.

Based on the above discussion, the following hypotheses have been developed and both constitute the main hypotheses in the study:

$H1$: Religiosity has a positive influence on the adoption of Islamic banking services in Morocco.

$H2$: The Moroccan customers are indifferent to adopt Islamic banking services (i.e. mean=3).

3. RESEARCH METHODOLOGY
In line with the above objective, the data for this study was collected using self administered questionnaire. The questionnaire was distributed randomly to the bank customers in the cities of Rabat, Casablanca, Marrakech and Agadir that are the four main cities in Morocco. The banks covered include Banque Marocaine du Commerce Extérieur (BMCE), Attijari wafabank (AWB), Banque Marocaine du Commerce et de l’Industrie (BMCI), as well as Banque Populaire (BP). The respondents were approached at the corresponding branches. T-test and linear regression analyses were applied to analyse the data, using SPSS18.

The questionnaire contains two main sections. The first one is designed to collect information about the religiosity and adoption willingness constructs (Rehman and Shabbir, 2010), the items under this section are measured using five points likert scale (1=strongly disagree and 5=strongly agree). The second part is meant to collect information about the demographic variables of the respondents.

The questionnaire was made in English and was subsequently translated into French and distributed as such. This is because French is the second language in the country and majority of Moroccan people can speak French fluently. The translation process was guided by language experts in both French and English to avoid any kind of biasness.

The target sample size in this study is 300 respondents. This sample size is considered to be sufficient according to Hair, Black, Babin and Anderson (2010) and Field (2000). Out of the questionnaires distribute, 252 were returned and usable, making a response rate of 84 per cent, which is acceptable compared to the previous studies (Gerrard and Cunningham, 1997; Metawa and Almossawi, 1998; Naser et al., 1999).

The results indicate that out of these 252 respondents, around 58 per cent of the respondents are male, while 42 per cent of them are female. Furthermore, the age grouping indicates that 39 per cent are between 31 to 40 years old, 32 per cent are between 41 and 50 years old, and 20 per cent are between 20 to 30 years old, while the remaining 9 per cent are above fifty years old. It is worth mentioning that none of the respondents was below 20 years, which occurred randomly.

With regards to the educational level, 34 per cent are holding a bachelors’ degree, 17 per cent are holding a higher secondary certificate, 16 per cent are holding a technician diploma, 15 per cent are holding a baccalaureate, 10 per cent are holding Masters, and 8 per cent are holding a PhD.

For the employment status, around 42 per cent of the respondents are working in the private sector, 25 per cent are working in the public sector, and 18 per cent are self employed, while the remaining 15 per cent are students.

Regarding the salary distribution, around 33 per cent of the respondents earn a monthly salary between 6,001 and 10,000 Moroccan Dirham, 25 per cent gain a salary between 2,000 and 6,000 Moroccan Dirham, 20 per cent have a salary of less than 2,000 Moroccan Dirham, 14 per cent have a salary between 20,001 and 40,000, while the remaining 8 per cent of the respondents gain a salary between 10,001 and 20,000 Moroccan Dirham.

4. FINDINGS

4.1. Reliability

An important step in data analysis when using a set of items to measure the studied variables is the reliability measures. Cronbach alpha is the most widely used objective measure of reliability (Vehkalahti, 2000). Hair et al. (2010) suggest that the Cronbach Alpha should be at least 0.6. This requirement is met, since the results in Table 1 indicate that all the reliability values are above 0.6, ranging from 0.677 to 0.886.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Reliability</th>
</tr>
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<tbody>
<tr>
<td>Religiosity</td>
<td>0.886</td>
</tr>
<tr>
<td>Ideological dimensions</td>
<td>0.872</td>
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<tr>
<td>Ritualistic dimensions</td>
<td>0.708</td>
</tr>
<tr>
<td>Intellectual dimensions</td>
<td>0.677</td>
</tr>
<tr>
<td>Consequential dimensions</td>
<td>0.727</td>
</tr>
<tr>
<td>Experimental dimensions</td>
<td>0.681</td>
</tr>
<tr>
<td>IB adoption</td>
<td>0.735</td>
</tr>
</tbody>
</table>

4.2. Linear regression results
In order to examine the validity of the first hypothesis, initially claiming that religiosity has a positive influence on the adoption of Islamic banking services in Morocco, linear regression analysis was applied. The linear regression results in Table 2 below indicate that the model is significant, with the F-test significance value of 0.0000. Furthermore, R square value was found to be equal to 33.4%, which is significant at alpha equal 0.05. This means that religiosity explains 33.4% of the variation in the adoption of Islamic banking services in Morocco. Thus, the initial hypothesis is supported.

Based on the results shown in Table 3 below, the correlation equation can be written as follows:

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\text{Adoption of Islamic banking services} = 1.267 + 0.656 \text{ religiosity}
\]

The above results are similar to those of Rehman and Shabbir (2010), who have found that religiosity has a significant positive influence on the adoption of new products in the case of Pakistan. The results are also similar to those of Hegazy (1995), Metwally (1996), Edris (1997), Gerrard and Cunningham (1997), as well as Metawa and Almossawi (1998) who have found that religion is the main factors for the customers to opt for Islamic rather than conventional banks.

4.3. T-test

In order to test the second hypothesis, claiming that the Moroccan customers are neutral as to the adoption of Islamic banking services (i.e. mean=3), one sample t-test has been performed to check whether the mean of the items measuring adoption is significantly different from 3. The results in Table 2, indicate that the mean is significantly different from 3 for all the adoption items. This means that the Moroccan customers are not neutral with regards to these statements. Subsequently, hypothesis 2 is rejected. By referring to the means for the said items in Table 4, it is clear that all of them are above 3, meaning that the customers are willing to adopt Islamic banking services. And this is in line with the findings of Rehman and Shabbir (2010).

5. DISCUSSIONS AND CONCLUSIONS

The main aim of the study was to examine the relationship between religiosity and Islamic banking services adoption by Moroccan customers, and to explore the willingness of the Moroccan customers to adopt Islamic banking services. The study has shown that in the context of Morocco, religiosity has a significant positive
influence on the adoption of Islamic banking services. In addition, it was found that the Moroccan customers are willing to adopt Islamic banking services. These findings have strong implications for the body of knowledge, the practitioners and stakeholders, as well as for the policy makers and regulators.

The results enrich the literature on the religiosity and its influence on the human behaviour, particularly in the adoption of new products and services. At the same time, the study extends this knowledge to another context that has not been explored in the previous studies i.e. that of Morocco and the Moroccan banking sector.

The findings also provide hindsight for practitioners and stakeholders, in the sense that religiosity should be given high importance, while conceiving and marketing new Islamic banking services. In other words, the Islamic banks in Morocco should ensure that the services they offer are compliant with the Islamic law (shari’ah). On the other hand, the policy makers and regulators should consider this relationship between religiosity and adoption of Islamic banking services by establishing a concise regulatory framework for the practice of Islamic banking, and ensure that the Islamic banks will conform to it.

The main limitation of the current study is its focus on the Moroccan customers only, which means that it cannot be generalised to other countries. Likewise, the study focuses only on Muslim customers, while Moroccan population is comprised of Jewish and Christian as well.

Hence, the future studies are recommended to extend the current study to other countries and other religions as well. For instance, in France, there are efforts that have been done in order to introduce Islamic banking in the country. However, the success of Islamic banking in this setting in highly depending on the acceptability of French customers of Islamic banking, especially in the current era. At the same time, future studies are recommended to include other factors such as relative advantage of Islamic banking, trust, awareness, etc.

6. REFERENCES


